

# **TechnoPro Group Financial Results for the 2nd Quarter of FY24.6**

TechnoPro Holdings, Inc. (code: 6028,TSE)

February 6, 2024

# Contents

	Page
I : Q2 FY24.6 Financial Overviews	2
II : KPI Analysis [Japan]	8
i : Number of Engineers & Utilization Ratio	8
ii : Unit Sales Price	12
III : Overseas Subsidiaries Update	13
IV : FY24.6 Guidance	15
V : Shareholder Return	17
VI : Appendix	19
VII : Data References	22

1. Accounting figures are rounded down to the nearest unit unless otherwise stated; KPI figures indicate "R&D Outsourcing" and "Construction Management Outsourcing" segments in Japan
2. "Net profit" refers to net profit attributable to owners of the parent company after deducting non-controlling interests
3. "Core operating profit" is calculated by subtracting SG&A expenses from gross profit, excluding extraordinary items (ex. government subsidy, impairment loss) recognized in other income or other expenses
4. "Operating profit before PPA asset amortization" is calculated by adding back following items to operating profit: 1) amortization of client related asset incurred by Purchase Price Allocation at M&A transactions, 2) impairment loss, 3) changes in fair value amount and early exercise of put option liabilities, and 4) changes in fair value amount of earn-out liabilities
5. Per share amounts are calculated based on the number of shares after a three-for-one split of shares effective July 1, 2021

# Q2 FY24.6 Financial Overviews

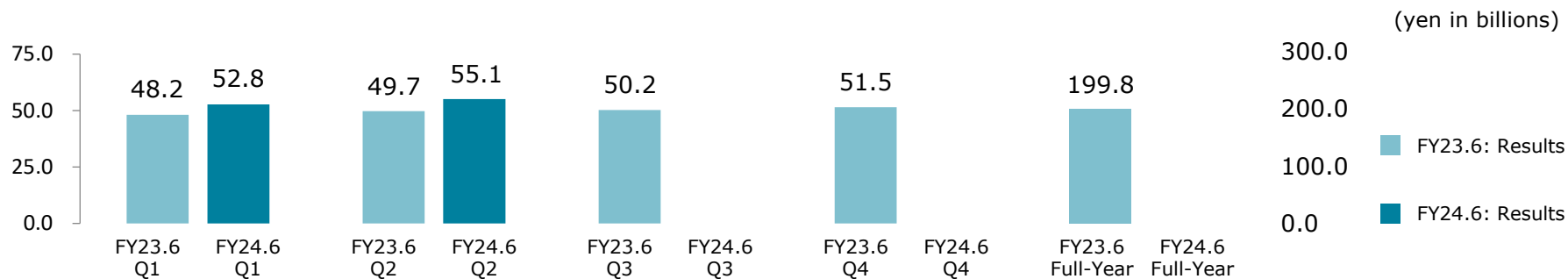
- FY24.6 H1 revenue was **108.0 billion yen**, up 10.2% year-on-year; gross profit was **29.0 billion yen**, up 11.6% year-on-year; core operating profit was **12.2 billion yen**, up 10.5% year-on-year; operating profit was **12.4 billion yen**, up 11.0% year-on-year; SG&A expenses increased by 1.8 billion yen, mainly due to 1) recruitment cost of 340 million yen, and 2) increment of 790 million yen in the Overseas segment
- FY24.6 H1 gross profit **increased by 3.0 billion yen** year-on-year, mainly due to 1) increased allocation of domestic dispatch engineers (up 1.32 billion yen), 2) price hike of dispatch contracts (up 1.49 billion yen), and 3) expansion of project-type services (up 1.35 billion yen), offset by increases in 4) provision for seasonal and financial results-linked bonuses (down 750 million yen in total), and 5) bench cost (down 450 million yen)
- FY24.6 H1 results exceeded the plan; making steady progress on a consolidated basis against the full-year guidance which has originally anticipated strong earnings growth in H2

(yen in millions, except per share amounts)

	Q2 (Three-Months Period)				First Half				Full-Year			
	FY23.6 (Results)	FY24.6 (Results)	YoY		FY23.6 (Results)	FY24.6 (Results)	YoY		FY23.6 (Results)	FY24.6 (Guidance)	YoY	
Revenue	49,786	55,112	+5,326	+10.7%	98,011	108,009	+9,998	+10.2%	199,851	220,000	+20,148	+10.1%
Gross profit	12,788	15,004	+2,216	+17.3%	26,038	29,062	+3,024	+11.6%	52,903	—	—	—
GP margin	25.7%	27.2%	+1.5 pts		26.6%	26.9%	+0.3 pts		26.5%			
SG&A expenses	7,619	8,438	+819	+10.8%	14,931	16,789	+1,857	+12.4%	31,523	—	—	—
Ratio on revenue	15.3%	15.3%	+0.0 pts		15.2%	15.5%	+0.3 pts		15.8%			
Core operating profit	5,169	6,565	+1,396	+27.0%	11,106	12,273	+1,167	+10.5%	21,379	24,500	+3,120	+14.6%
Core OP margin	10.4%	11.9%	+1.5 pts		11.3%	11.4%	+0.0 pts		10.7%	11.1%	+0.4 pts	
Other income	54	69	+14	—	183	160	(22)	—	582	—	—	—
Other expenses	47	6	(40)	—	106	17	(88)	—	124	—	—	—
Operating profit	5,176	6,628	+1,451	+28.1%	11,183	12,416	+1,233	+11.0%	21,838	24,500	+2,661	+12.2%
OP margin	10.4%	12.0%	+1.6 pts		11.4%	11.5%	+0.1 pts		10.9%	11.1%	+0.2 pts	
Profit before income taxes	5,074	6,612	+1,538	+30.3%	11,124	12,464	+1,340	+12.1%	21,837	24,500	+2,662	+12.2%
Net profit	3,533	4,560	+1,026	+29.0%	7,714	8,591	+877	+11.4%	15,365	16,700	+1,334	+8.7%
Net profit margin	7.1%	8.3%	+1.2 pts		7.9%	8.0%	+0.1 pts		7.7%	7.6%	(0.1 pts)	
Earnings per share	32.80	42.68	+9.88	+30.1%	71.61	80.34	+8.73	+12.2%	142.71	156.23	+13.52	+9.5%
Dividend per share	—	—	—	—	25.00	25.00	—	—	75.00	80.00	+5.00	+6.7%

# Reference: Quarterly Performance

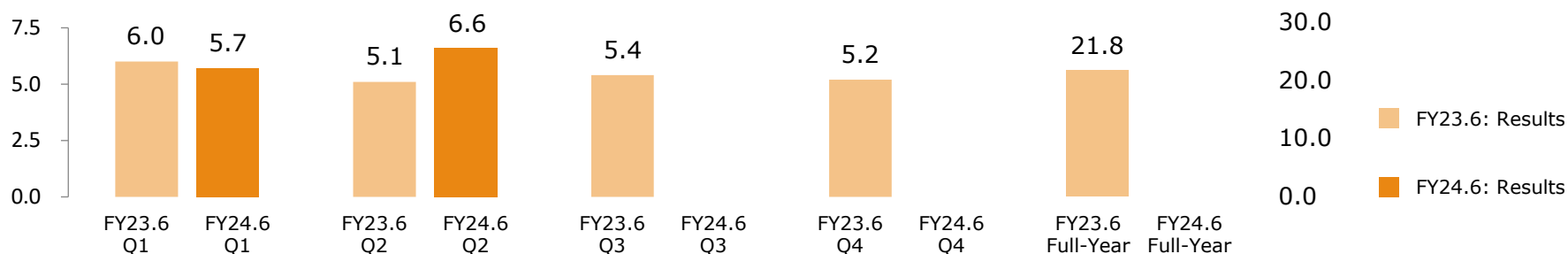
## Revenue



YoY	+9.7%		+10.7%		-		-		-	
Progress on full-year %	24.1%	-	24.9%	-	25.2%	-	25.8%	-	100.0%	-
Ave. no. of engineers	22,158	24,233	22,506	24,589	22,857	[24,840]	24,036	[25,950]	22,889	[24,900]
Ave. utilization ratio	95.9%	95.0%	96.2%	95.9%	95.8%	[95.6%]	93.1%	[92.5%]	95.2%	[94.7%]
Ave. monthly unit sales price (thousands yen)*	655	669	667	684	679	[680]	676	[685]	669	[680]
Working days*	56.8	56.4	57.4	57.9	55.6	[54.8]	57.8	[58.0]	227.6	[227.1]
Working hours per day*	8.43	8.39	8.46	8.46	8.46	[8.43]	8.39	[8.37]	8.43	[8.41]

† Figures in brackets indicate forecast at the time of publication

## Operating Profit

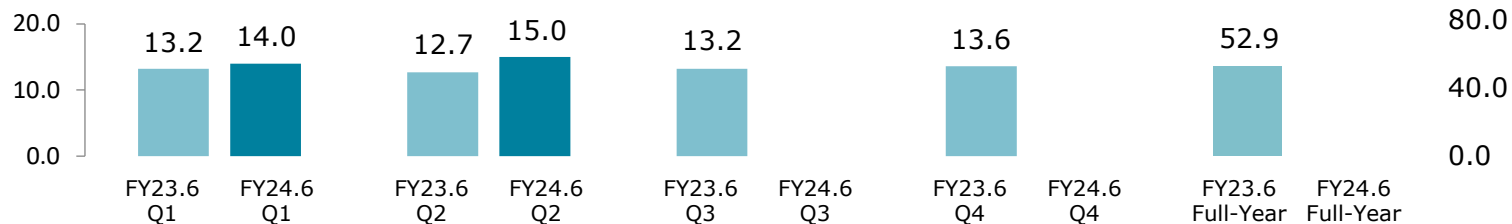


YoY	(3.6%)		+28.1%		-		-		-	
Progress on full-year %	27.5%	-	23.7%	-	24.8%	-	24.0%	-	100.0%	-
OP margin	12.5%	10.9%	10.4%	12.0%	10.8%	-	10.2%	-	10.9%	-

\* Figures of two major subsidiaries in Japan (TechnoPro, Inc. & TechnoPro Construction, Inc.); Ave. monthly unit sales price includes all subsidiaries in Japan (the same applies hereinafter)

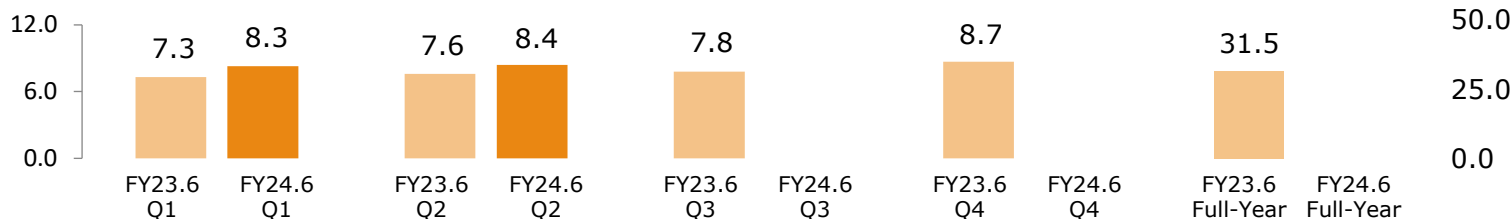
# Reference: Quarterly Performance (cont.)

## Gross Profit



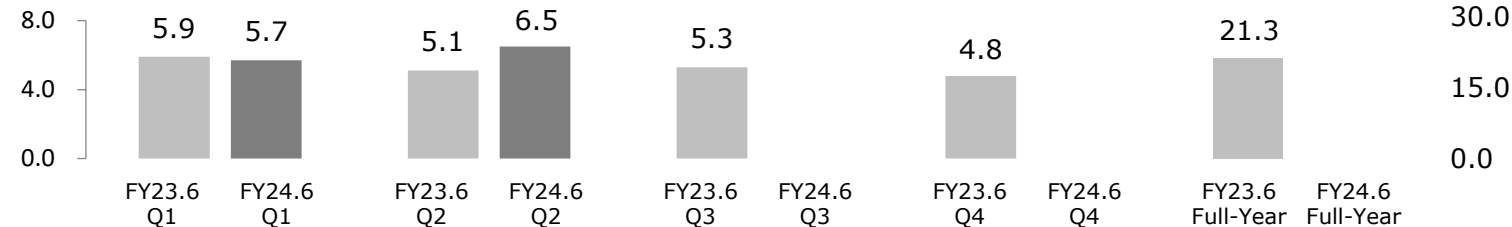
YoY	+6.1%		+17.3%		-		-		-	
GP margin	27.5%	26.6%	25.7%	27.2%	26.4%	-	26.4%	-	26.5%	-

## SG&A



YoY	+14.2%		+10.8%		-		-		-	
GP margin	15.2%	15.8%	15.3%	15.3%	15.7%	-	16.9%	-	15.8%	-

## Core Operating Profit



YoY	(3.9%)		+27.0%		-		-		-	
GP margin	12.3%	10.8%	10.4%	11.9%	10.7%	-	9.5%	-	10.7%	-

# Q2 FY24.6 Segment Results [Year-to-Date]

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY22.6 H1	FY23.6 H1	FY24.6 H1	YoY	FY22.6 H1	FY23.6 H1	FY24.6 H1	YoY	FY22.6 H1	FY23.6 H1	FY24.6 H1	YoY	FY22.6 H1	FY23.6 H1	FY24.6 H1	YoY
Revenue	66,861	74,709	83,115	+11.3%	9,966	10,605	11,353	+7.1%	2,218	2,486	2,184	(12.1%)	79,045	87,801	96,653	+10.1%
Ratio to consolidated revenue	77.4%	76.2%	77.0%		11.5%	10.8%	10.5%		2.6%	2.5%	2.0%		91.5%	89.6%	89.5%	
Gross profit	15,743	18,947	21,737	+14.7%	2,950	3,216	3,571	+11.0%	1,669	1,765	1,447	(18.0%)	20,364	23,929	26,756	+11.8%
GP margin	23.5%	25.4%	26.2%		29.6%	30.3%	31.5%		75.3%	71.0%	66.3%		25.8%	27.3%	27.7%	
Operating profit	6,778	8,580	10,159	+18.4%	1,227	1,448	1,691	+16.8%	391	126	(99)	—	8,396	10,155	11,751	+15.7%
OP margin	10.1%	11.5%	12.2%		12.3%	13.7%	14.9%		17.6%	5.1%	(4.5%)		10.6%	11.6%	12.2%	
OP before PPA asset amortization	6,833	8,616	10,195	+18.3%	1,227	1,448	1,691	+16.8%	391	126	(99)	—	8,452	10,191	11,787	+15.7%
OP margin before PPA asset amortization	10.2%	11.5%	12.3%		12.3%	13.7%	14.9%		17.6%	5.1%	(4.5%)		10.7%	11.6%	12.2%	
PPA asset amortization	(55)	(36)	(36)	—	—	—	—	—	—	—	—	—	(55)	(36)	(36)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	18,109	19,824	21,644	+9.2%	2,667	2,829	3,086	+9.1%	—	—	—	—	20,776	22,653	24,730	+9.2%
o/w Non-Japanese in Japan	772	828	964	+16.4%	101	112	155	+38.4%	—	—	—	—	873	940	1,119	+19.0%

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY22.6 H1	FY23.6 H1	FY24.6 H1	YoY	FY22.6 H1	FY23.6 H1	FY24.6 H1	YoY	FY22.6 H1	FY23.6 H1	FY24.6 H1	YoY	FY22.6 H1	FY23.6 H1	FY24.6 H1	YoY
Revenue	8,488	11,774	12,824	+8.9%	87,534	99,575	109,478	+9.9%	(1,176)	(1,563)	(1,468)	—	86,358	98,011	108,009	+10.2%
Ratio to consolidated revenue	9.8%	12.0%	11.9%		101.4%	101.6%	101.4%		(1.4%)	(1.6%)	(1.4%)		100.0%	100.0%	100.0%	
Gross profit	2,313	3,145	3,443	+9.5%	22,678	27,075	30,200	+11.5%	(797)	(1,036)	(1,137)	—	21,880	26,038	29,062	+11.6%
GP margin	27.3%	26.7%	26.9%		25.9%	27.2%	27.6%		—	—	—		25.3%	26.6%	26.9%	
Operating profit	854	1,041	549	(47.2%)	9,251	11,196	12,300	+9.9%	1,827	(13)	115	—	11,078	11,183	12,416	+11.0%
OP margin	10.1%	8.8%	4.3%		10.6%	11.2%	11.2%		—	—	—		12.8%	11.4%	11.5%	
OP before PPA asset amortization	1,037	1,336	878	(34.3%)	9,489	11,528	12,666	+9.9%	(36)	(13)	115	—	9,453	11,515	12,782	+11.0%
OP margin before PPA asset amortization	12.2%	11.4%	6.9%		10.8%	11.6%	11.6%		—	—	—		10.9%	11.7%	11.8%	
PPA asset amortization	(183)	(295)	(329)	—	(238)	(331)	(365)	—	—	—	—	—	(238)	(331)	(365)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	1,863	—	—	—	1,863	—	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	2,823	2,873	2,733	(4.9%)	23,599	25,526	27,463	+7.6%	—	—	—	—	23,599	25,526	27,463	+7.6%



\* Headquarter expenses attributable to reportable segments (expenses incurred by the holding company, etc.) are allocated to each reportable segment

# Reference: Q2 FY24.6 Segment Results [Three-Months]

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY22.6 Q2	FY23.6 Q2	FY24.6 Q2	YoY	FY22.6 Q2	FY23.6 Q2	FY24.6 Q2	YoY	FY22.6 Q2	FY23.6 Q2	FY24.6 Q2	YoY	FY22.6 Q2	FY23.6 Q2	FY24.6 Q2	YoY
Revenue	34,275	38,118	42,553	+11.6%	5,049	5,418	5,794	+7.0%	1,116	1,213	1,117	(7.9%)	40,441	44,749	49,466	+10.5%
Ratio to consolidated revenue	76.6%	76.6%	77.2%		11.3%	10.9%	10.5%		2.5%	2.4%	2.0%		90.4%	89.9%	89.8%	
Gross profit	8,609	9,228	11,269	+22.1%	1,563	1,690	1,836	+8.6%	858	850	759	(10.7%)	11,030	11,768	13,865	+17.8%
GP margin	25.1%	24.2%	26.5%		31.0%	31.2%	31.7%		76.9%	70.1%	67.9%		27.3%	26.3%	28.0%	
Operating profit	3,919	3,855	5,409	+40.3%	672	797	881	+10.6%	184	16	(20)	—	4,777	4,669	6,271	+34.3%
OP margin	11.4%	10.1%	12.7%		13.3%	14.7%	15.2%		16.5%	1.3%	(1.8%)		11.8%	10.4%	12.7%	
OP before PPA asset amortization	3,948	3,873	5,427	+40.1%	672	797	881	+10.6%	184	16	(20)	—	4,806	4,687	6,289	+34.2%
OP margin before PPA asset amortization	11.5%	10.2%	12.8%		13.3%	14.7%	15.2%		16.5%	1.3%	(1.8%)		11.9%	10.5%	12.7%	
PPA asset amortization	(29)	(18)	(18)	—	—	—	—	—	—	—	—	—	(29)	(18)	(18)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	18,109	19,824	21,644	+9.2%	2,667	2,829	3,086	+9.1%	—	—	—	—	20,776	22,653	24,730	+9.2%
o/w Non-Japanese in Japan	772	828	964	+16.4%	101	112	155	+38.4%	—	—	—	—	873	940	1,119	+19.0%

	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY22.6 Q2	FY23.6 Q2	FY24.6 Q2	YoY	FY22.6 Q2	FY23.6 Q2	FY24.6 Q2	YoY	FY22.6 Q2	FY23.6 Q2	FY24.6 Q2	YoY	FY22.6 Q2	FY23.6 Q2	FY24.6 Q2	YoY
Revenue	5,019	5,845	6,418	+9.8%	45,460	50,595	55,884	+10.5%	(737)	(809)	(771)	—	44,723	49,786	55,112	+10.7%
Ratio to consolidated revenue	11.2%	11.7%	11.6%		101.6%	101.6%	101.4%		(1.6%)	(1.6%)	(1.4%)		100.0%	100.0%	100.0%	
Gross profit	1,486	1,568	1,714	+9.3%	12,516	13,336	15,580	+16.8%	(507)	(548)	(575)	—	12,009	12,788	15,004	+17.3%
GP margin	29.6%	26.8%	26.7%		27.5%	26.4%	27.9%		—	—	—		26.9%	25.7%	27.2%	
Operating profit	608	481	279	(42.0%)	5,385	5,151	6,550	+27.2%	1,749	24	77	—	7,135	5,176	6,628	+28.1%
OP margin	12.1%	8.2%	4.4%		11.8%	10.2%	11.7%		—	—	—		16.0%	10.4%	12.0%	
OP before PPA asset amortization	737	629	436	(30.7%)	5,543	5,317	6,726	+26.5%	(113)	24	77	—	5,429	5,342	6,803	+27.3%
OP margin before PPA asset amortization	14.7%	10.8%	6.8%		12.2%	10.5%	12.0%		—	—	—		12.1%	10.7%	12.3%	
PPA asset amortization	(128)	(147)	(157)	—	(157)	(166)	(175)	—	—	—	—	—	(157)	(166)	(175)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value amount and early exercise of PO liabilities	—	—	—	—	—	—	—	—	1,863	—	—	—	1,863	—	—	—
Changes in fair value amount of EO liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
No. of engineers (period-end)	2,823	2,873	2,733	(4.9%)	23,599	25,526	27,463	+7.6%	—	—	—	—	23,599	25,526	27,463	+7.6%

# Q2 FY24.6 Balance Sheet & Cash Flows

- In H1 FY24.6, after-tax free cash flows used for dividend distribution, share buyback, and remaining share purchase of Orion
- Cash and cash equivalents of 39.1 billion yen at Q2 FY24.6 end include social insurance premium of approx. 3.8 billion yen to be paid on the first business day in Q3 as a result of delayed payment date due to the bank holiday
- Ensuring 1) sufficient flexibility for unexpected financial needs, backed by credit lines for working capital and M&A, and 2) diverse funding sources through the shelf registration relating to issuance of corporate bonds

## Q2 FY24.6 End B/S (yen in billions)

Cash & cash equivalents 39.1	Debt 14.2
	IFRS 16 related liabilities 8.7
IFRS 16 related assets 8.7	Other liabilities 43.6
Goodwill 46.0	Total equity 78.0 (Non-controlling interests 0.9)
PPA 3.7	
Other assets 47.0	

Total assets 144.5      Total liabilities & equity 144.5

Net Cash :                    24.8bn yen  
 Net Worth Ratio\* :        53.3%  
 Goodwill/E Ratio\* :        0.60x  
 D/E Ratio\* :                0.18x  
 D/OP Ratio\*\* :             0.58x

\* Calculated using equity capital excluding non-controlling interests

\*\* Calculated using operating profit stated in the full-year guidance



## H1 FY24.6 Cash Flows (yen in millions)

• <b>Operating CF</b>	<b>+15,596</b>
PPA asset amortization	+365
Net cash flow from income tax payment & refund	(2,700)
• <b>Investing CF</b>	<b>(295)</b>
Purchase of tangible fixed assets	(240)
Purchase of intangible assets	(141)
• <b>Financing CF</b>	<b>(11,575)</b>
IFRS 16 related lease liability repayment	(3,372)
Net cash flow from debt procurement & repayment	(444)
Dividend payment	(5,551)
Share repurchase payment	(1,423)
Acquisition of Orion's remaining shares	(783)

**Net CF** (incl. effect of exchange rate change of 54mn yen)      **+3,780**

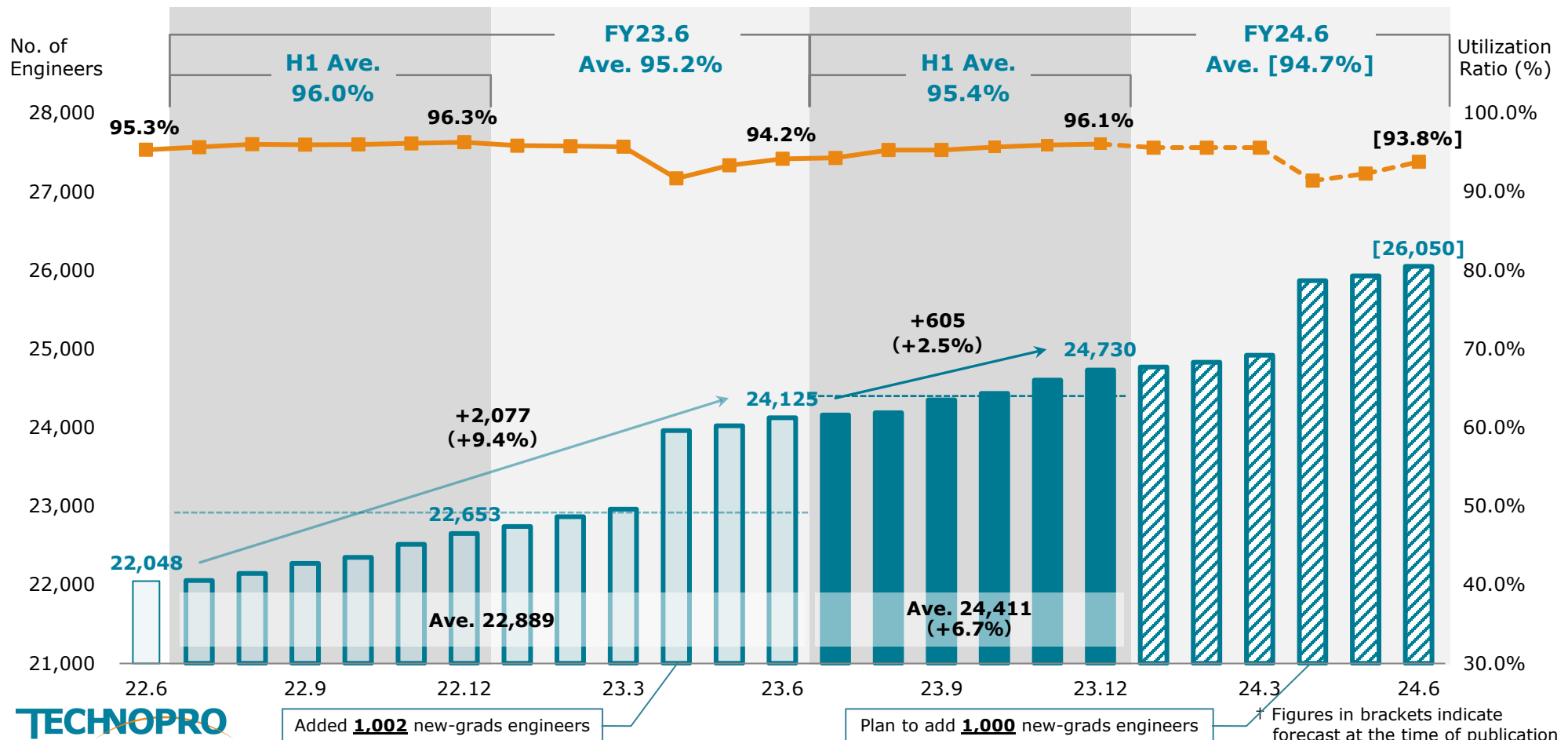
## Commitment Lines (yen in millions)

Purpose	Credit line	Used	Unused	Expiration
1 Working capital	8,000	0	8,000	Jun. 2024
2 M&A	10,000	0	10,000	Jun. 2024
Total	18,000	0	18,000	



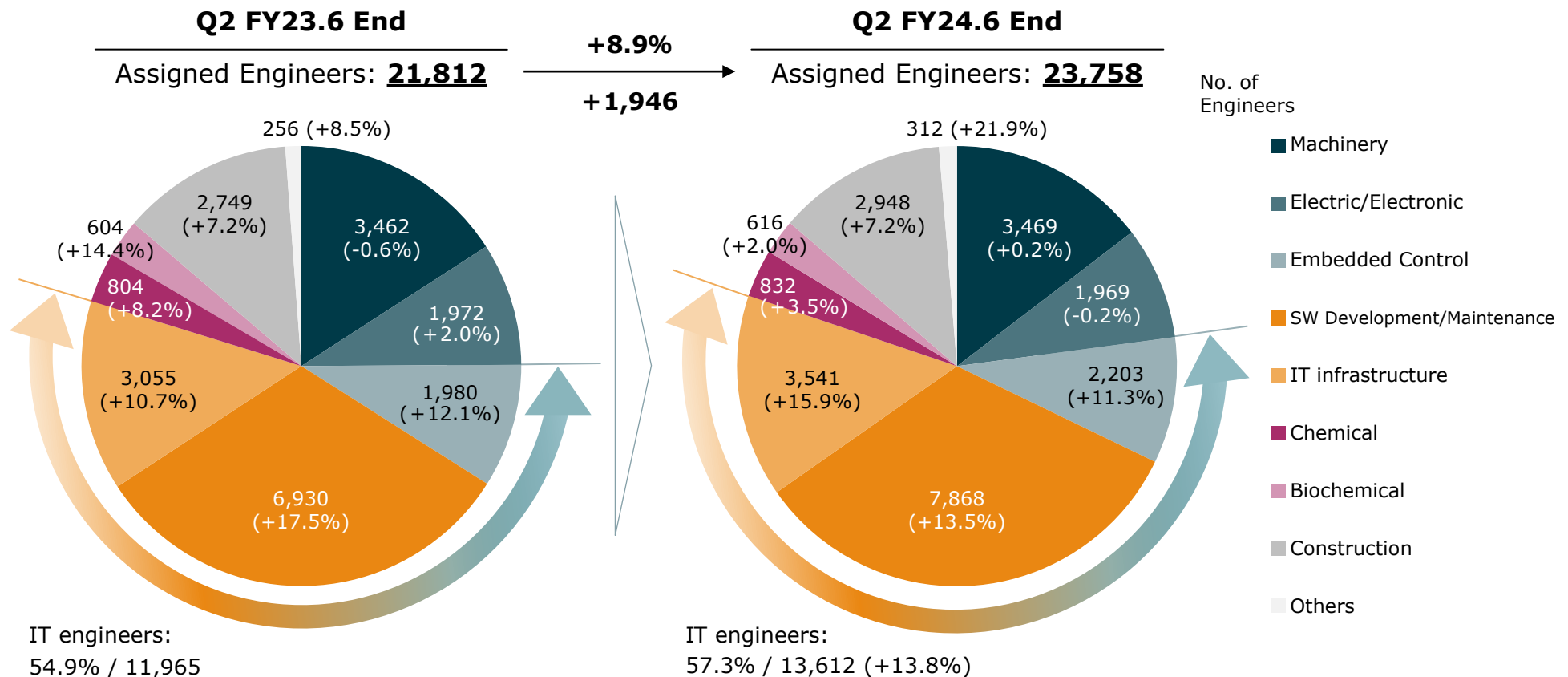
# Number of Engineers & Utilization Ratio [Japan]

- Engineers in Japan at Q2 FY24.6 end totaled **24,730** (up 605 from FY23.6 end), including **1,119** non-Japanese engineers (up 53 from FY23.6 end)
- Utilization ratio was **96.1%** at Q2 FY24.6 end (down 0.2 pts year-on-year), while average one for H1 FY24.6 six-months was **95.4%** (down 0.6 pts year-on-year)
- Engineers working outside Japan totaled **2,733** (not included in the number of engineers in Japan, down 264 from FY23.6 end)



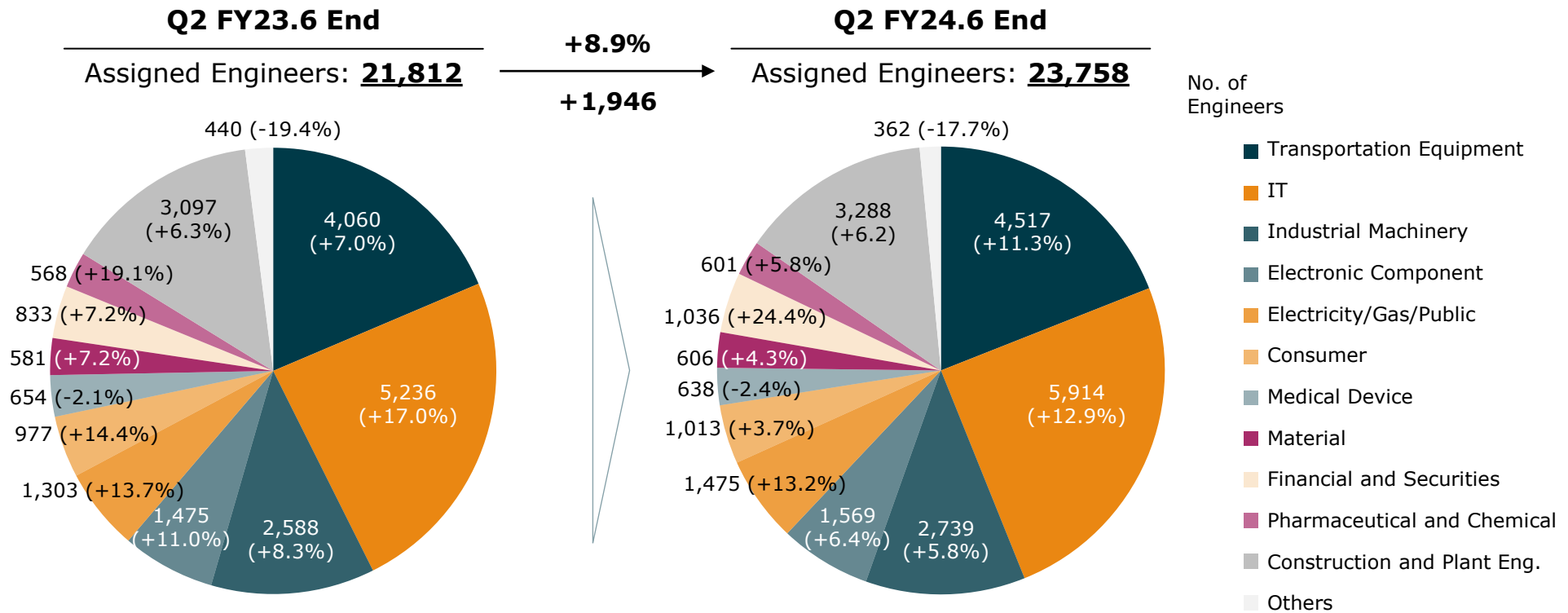
# Assigned Engineers Portfolios by "Technology" [Japan]

- With utilization ratio already maintaining an acceptable high level, the number of assigned engineers has been increasing every month, continuing to renew record highs
- Orders for software engineers remain strong due to IT/digital investments; demand for mechanical engineers with high unit sales price in the aerospace sector has been also on the rise in the anticipation that the defense budget in Japan will increase



# Assigned Engineers Portfolios by "Industry" [Japan]

- Manufacturers in Transportation Equipment continue to show robust willingness to invest in the areas such as autonomous driving technology or EV, while performance in IT sector continues to be strong
- Due to the structural shortage of engineers, customers gradually tend to increase OJT-based orders for less experienced engineers, or the medium- to long-term orders in line with their R&D roadmaps
- Promoting shift-up/charge-up initiatives proactively at every contract renewal; base charge of dispatch contracts has steadily grown

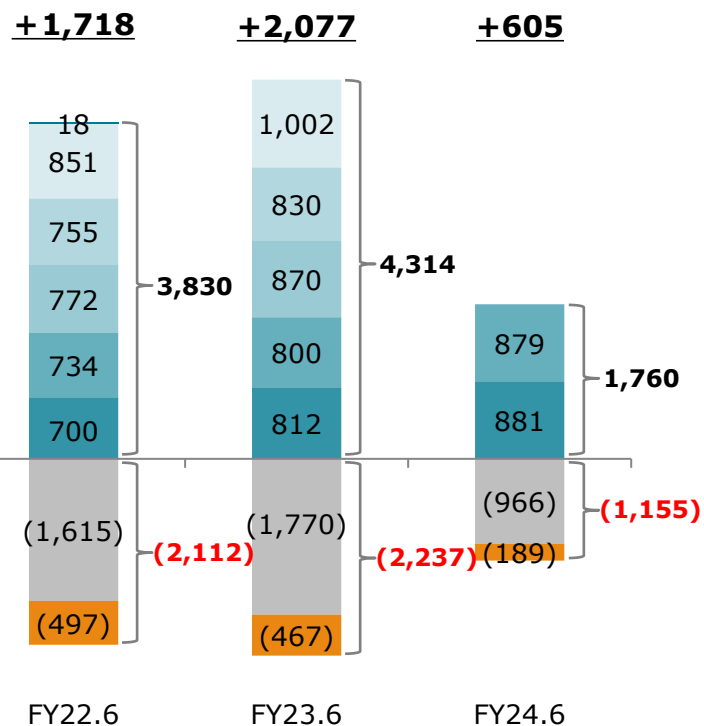


# Recruitment & Turnover [Japan]

- Engineers hired in H1 FY24.6 totaled **1,760** (up 148 year-on-year); expecting to add about **1,000** new-grads in April 2024
- 1,155** engineers left in H1 FY24.6 (up 148 year-on-year): permanent employees of **966** (up 186 year-on-year) and fixed-term employees of **189** (down 38 year-on-year)
- Turnover ratio for permanent employees\* was **7.9%** for H1 FY24.6 (up 0.9 pts year-on-year), and **8.2%** on LTM basis; considering current turnover increasing trend as a significant challenge to be addressed
- Net engineer addition was **605** for H1 FY24.6; maintaining competitiveness in recruitment, forecast of the number of engineers in Japan at FY24.6 end was revised upward to **26,050** (up 150 from the initial plan)

## Net Increase (Decrease)

(No. of Engineers)



## Annual Recruitment/Turnover

(No. of Engineers)

	FY22.6	FY23.6	FY24.6	YoY	
<b>Hired Total</b>	<b>3,830</b>	<b>4,314</b>	<b>1,760</b>	—	—
M&A	18	0	—	—	—
New-grads joined in April	851	1,002	—	—	—
Mid-career: Q4	755	830	—	—	—
Mid-career: Q3	772	870	—	—	—
Mid-career: Q2	734	800	879	+79	+9.9%
Mid-career: Q1	700	812	881	+69	+8.5%
<b>Turnover Total</b>	<b>2,112</b>	<b>2,237</b>	<b>1,155</b>	—	—
Permanent employees	1,615	1,770	966	—	—
Contract terms matured, others	497	467	189	—	—

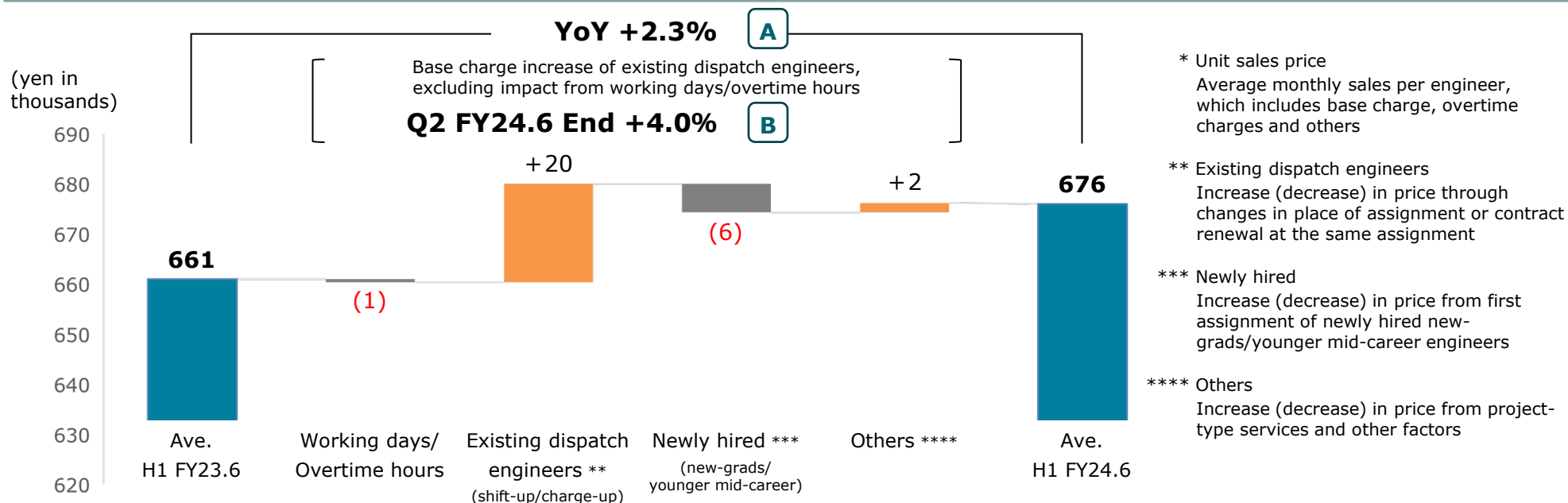
## Turnover Ratio for Permanent Employees\*

	FY22.6				FY23.6				FY24.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter	7.7%	7.1%	7.4%	8.6%	7.9%	6.0%	8.0%	8.9%	8.8%	7.1%	—	—
YTD	—	7.4%	7.4%	7.7%	—	7.0%	7.3%	7.7%	—	7.9%	—	—
LTM	8.1%	7.8%	7.6%	7.7%	7.8%	7.5%	7.6%	7.7%	8.0%	8.2%	—	—

\* Turnover ratio for permanent employees was calculated, excluding fixed-term employees left at the end of contract term

# Average Monthly Unit Sales Price [Japan]

- Ave. monthly unit sales price\* for H1 FY24.6 increased to **676K yen** (up 15K yen/month or 2.3% year-on-year)
- Decreased 1K yen/month year-on-year due to increased working days and decreased overtime hours, and diluted 6K yen/month year-on-year due to first assignment of newly hired new-grads/younger mid-career engineers
- Increased 20K yen/month, driven by base charge hike for existing dispatch engineers through shift-up/charge-up efforts
- Increased 2K yen/month, driven by the growth of project-type services



	FY23.6				FY24.6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unit Sales Price (yen in thousands/month, YTD)	655	661	667	669	669	676		
YoY	<b>A</b> +2.4%	+1.7%	+1.4%	+1.6%	+2.1%	+2.3%		

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base Charge Increase of Existing Dispatch Engineers † YoY comparison for each quarter end	<b>B</b> +3.3%	+3.4%	+3.5%	+4.0%	+4.1%	+4.0%		

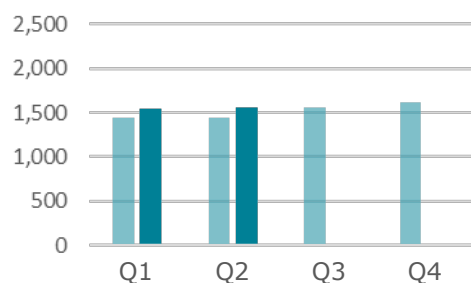
# Overseas Subsidiaries Update

- H1 FY24.6 Overseas revenue was up 8.9% year-on-year, gross profit was up 9.5%, and operating profit\* was down 34.3% year-on-year; revised full-year forecasts for FY24.6, considering H1 results and the current business environment (update from the initial plan: revenue and operating profit decreased by 500 million yen and 700 million yen respectively)
- Revenue proportion on consolidated one by customer location: 5.2% for Asia, 3.6% for Europe, and 1.8% for North America

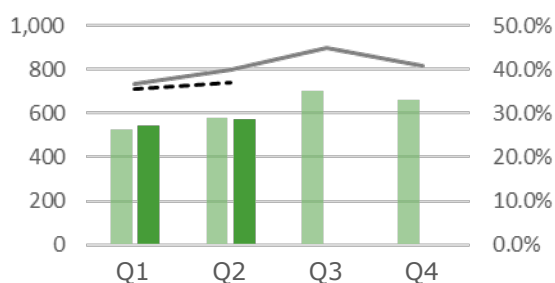
■ ■ ■ — FY23.6 Results      ■ ■ ■ - - - - FY24.6 Results      (yen in millions)

## Robosoft (North America/Japan/Europe/India)

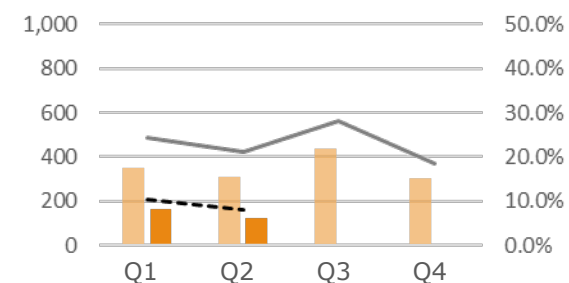
### Revenue



### Gross Profit



### Operating Profit\*



- Maintaining QoQ growth in H1 FY24.6, though only able to acquire new projects to make up for the completion of existing ones; results fell short by 20% against the plan which had expected high growth
- Positioned FY24.6 as a phase of upfront investment for sustainable top-line growth; continuing efforts to win new customers, expecting to ensure sufficient returns on investment from the next fiscal year

- Posted losses of about 150 million yen in total (equivalent to about 5% GP margin) due to several unprofitable projects for Indian customers; aiming to improve its delivery process
- Began optimization of bench resources to eliminate deterioration in utilization ratio due to the delay in acquiring new projects
- Expect GP margin to recover to 40% level in H2 driven by the efforts above

- SG&A expenses continue to increase since Q4 FY23.6 by enhancing sales organization and marketing activity for the lead generation; OP declined significantly both YoY and QoQ
- Aim to bottom out in Q2 FY24.6 and recover to YoY growth in Q4 by thorough micromanagement based on more detailed KPIs, while carefully selecting investments necessary for future growth opportunities

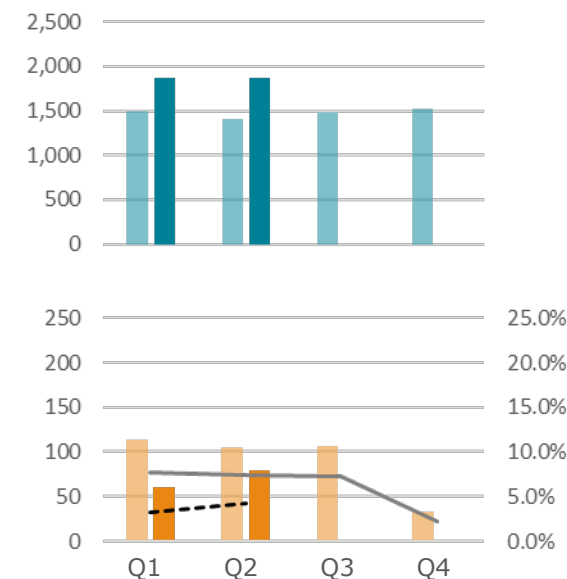
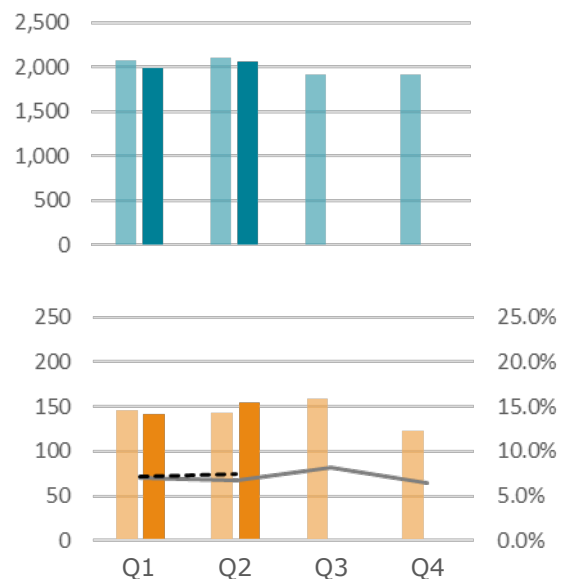
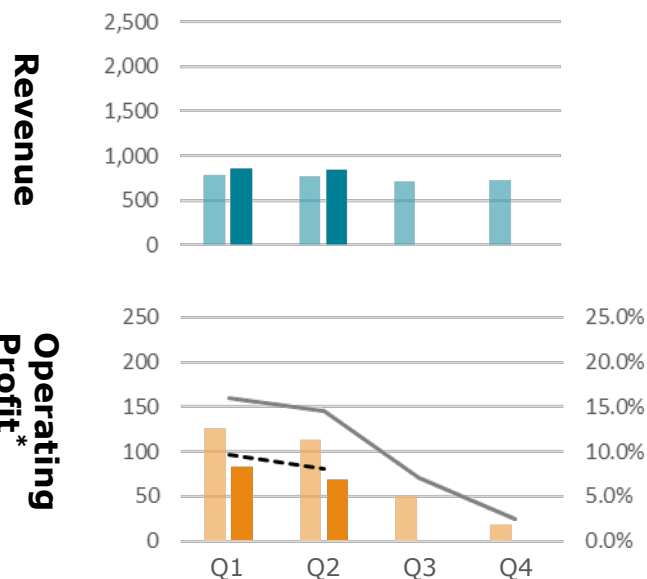
# Overseas Subsidiaries Update (cont.)

Legend: ■ ■ — FY23.6 Results      ■ ■ - - - FY24.6 Results      (yen in millions)

## TechnoPro China

## Helius (Singapore/India/Southeast Asia)

## Orion (UK)



- OP was almost in line with the plan; slowdown in profit and margin YoY and QoQ due to phasing out of high margin projects was within the expectations
- Mitigate earnings decline and seek for growth potential in the next fiscal year by winning equipment installation projects that are in strong demand, and shifting to solution services including offshoring projects contracted from Japan

- H1 FY24.6 OP exceeded the plan even on a local-currency basis, though revenue was slightly decreased YoY
- One-stop solution services in technical human resources, that are partly leveraging offshore delivery in India, began to penetrate into the market steadily; expecting earnings growth to continue in H2 FY24.6 along with improvements in customer satisfaction and margins

- OP is in improving trend, despite profit in H1 FY24.6 largely declining impacted by a surge in SG&A expenses due to high inflation, which was not absorbed by revenue growth of 15% YoY on a local-currency basis
- Expect recovery in highly profitable placement business in H2; anticipating full-year profit to grow, aiming to assure stable performance and to return to earnings growth momentum

# FY24.6 Guidance – Updated Key KPIs

- In FY24.6, earnings are expected to exceed the initial target for the third year of the medium-term plan: revenue up 10.1% year-on-year, core operating profit up 14.6% year-on-year, operating profit up 12.2% year-on-year; anticipating that improvement in SG&A ratio is supposed to take some time, as upward pressure on cost is rising overall due to creeping changes in the business environment
- Full-year consolidated guidance, excluding domestic key KPIs, remains unchanged, considering factors such as 1) active investments in Japan that will contribute to growth in the next fiscal year and 2) ongoing uncertainty in overseas business

(yen in millions, except per share amounts and engineer headcounts)

	First Half			Second Half			Full-Year			
	FY23.6 (Results)	FY24.6 (Results)	YoY	FY23.6 (Results)	FY24.6 (Revised Guidance)	YoY	FY23.6 (Results)	FY24.6 (Guidance)	YoY	
Revenue	98,011	108,009	+10.2%	101,839	111,990	+10.0%	199,851	220,000	+20,148	+10.1%
Core operating profit	11,106	12,273	+10.5%	10,272	12,226	+19.0%	21,379	24,500	+3,120	+14.6%
Core OP margin	11.3%	11.4%		10.1%	10.9%		10.7%	11.1%	+0.4 pts	
Operating profit	11,183	12,416	+11.0%	10,654	12,083	+13.4%	21,838	24,500	+2,661	+12.2%
OP margin	11.4%	11.5%		10.5%	10.8%		10.9%	11.1%	+0.2 pts	
Profit before income taxes	11,124	12,464	+12.1%	10,712	12,035	+12.3%	21,837	24,500	+2,662	+12.2%
Net profit	7,714	8,591	+11.4%	7,651	8,108	+6.0%	15,365	16,700	+1,334	+8.7%
Net profit margin	7.9%	8.0%		7.5%	7.2%		7.7%	7.6%	(0.1 pts)	
Earnings per share	71.61	80.34	+12.2%	71.10	75.89	+6.7%	142.71	156.23	+13.52	+9.5%
Dividend per share	25.00	25.00	—	50.00	55.00	+10.0%	75.00	80.00	+5.00	+6.7%

Key KPIs [Japan]	First Half			Second Half			Full Year			
	FY23.6 (Results)	FY24.6 (Results)	YoY	FY23.6 (Results)	FY24.6 (Revised Guidance)	YoY	FY23.6 (Results)	FY24.6 (Revised Guidance)	YoY	
No. of engineers (period-end)	22,653	24,730	+9.2%	24,125	26,050	+8.0%	24,125	26,050	+1,925	+8.0%
Engineer hiring*	1,612	1,760	+9.2%	2,702	2,700	(0.1%)	4,314	4,460	+146	+3.4%
Ave. utilization ratio	96.0%	95.4%	(0.6 pts)	94.4%	94.1%	(0.3 pts)	95.2%	94.7%	(0.5 pts)	—
Ave. monthly unit sales price (yen in thousands)	661	676	+2.3%	677	683	+0.9%	669	680	+11	+1.6%



# Reference: FY24.6 Segment Guidance

## – Consolidated Total Unchanged, Segment Breakdown Updated

- R&D Outsourcing: Revised upward based on H1 results and current KPIs; turnover deterioration and soaring recruitment costs are considered as concerns
- Construction Management Outsourcing: Profit margin has been improving driven by unit sales price hike, together with accelerated growth in the number of engineers because of full-scale hiring of inexperienced talents
- Other Businesses in Japan: Despite losses in H1 being within the expected range, revised downward as no immediate recovery is in sight in the demand for the executive search for global firms
- Overseas: Revised downward due to the delay in realization of meaningful return on upfront investment at Robosoft; anticipating earnings to decline year-on-year

(yen in millions, except engineer headcounts)

	R&D Outsourcing				Construction Management Outsourcing				Other Businesses in Japan				Japan Total			
	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY
Revenue	137,471	152,858	169,500	+10.9%	20,311	21,643	23,500	+8.6%	4,898	5,569	5,200	(6.6%)	162,682	180,071	198,200	+10.1%
Ratio to consolidated revenue	76.9%	76.5%	77.0%		11.4%	10.8%	10.7%		2.7%	2.8%	2.4%		91.0%	90.1%	90.1%	
Operating profit	14,151	16,292	18,800	+15.4%	2,489	2,930	3,500	+19.4%	672	561	400	(28.7%)	17,313	19,784	22,700	+14.7%
OP margin	10.3%	10.7%	11.1%		12.3%	13.5%	14.9%		13.7%	10.1%	7.7%		10.6%	11.0%	11.5%	
OP before PPA asset amortization	14,626	16,365	18,873	+15.3%	2,489	2,930	3,500	+19.4%	672	561	400	(28.7%)	17,788	19,856	22,773	+14.7%
OP margin before PPA asset amortization	10.6%	10.7%	11.1%		12.3%	13.5%	14.9%		13.7%	10.1%	7.7%		10.9%	11.0%	11.5%	
No. of engineers (period-end)	19,257	21,163	22,790	+7.7%	2,791	2,962	3,260	+10.1%	–	–	–	–	22,048	24,125	26,050	+8.0%
o/w non-Japanese in Japan	788	930	–	–	110	136	–	–	–	–	–	–	898	1,066	–	–

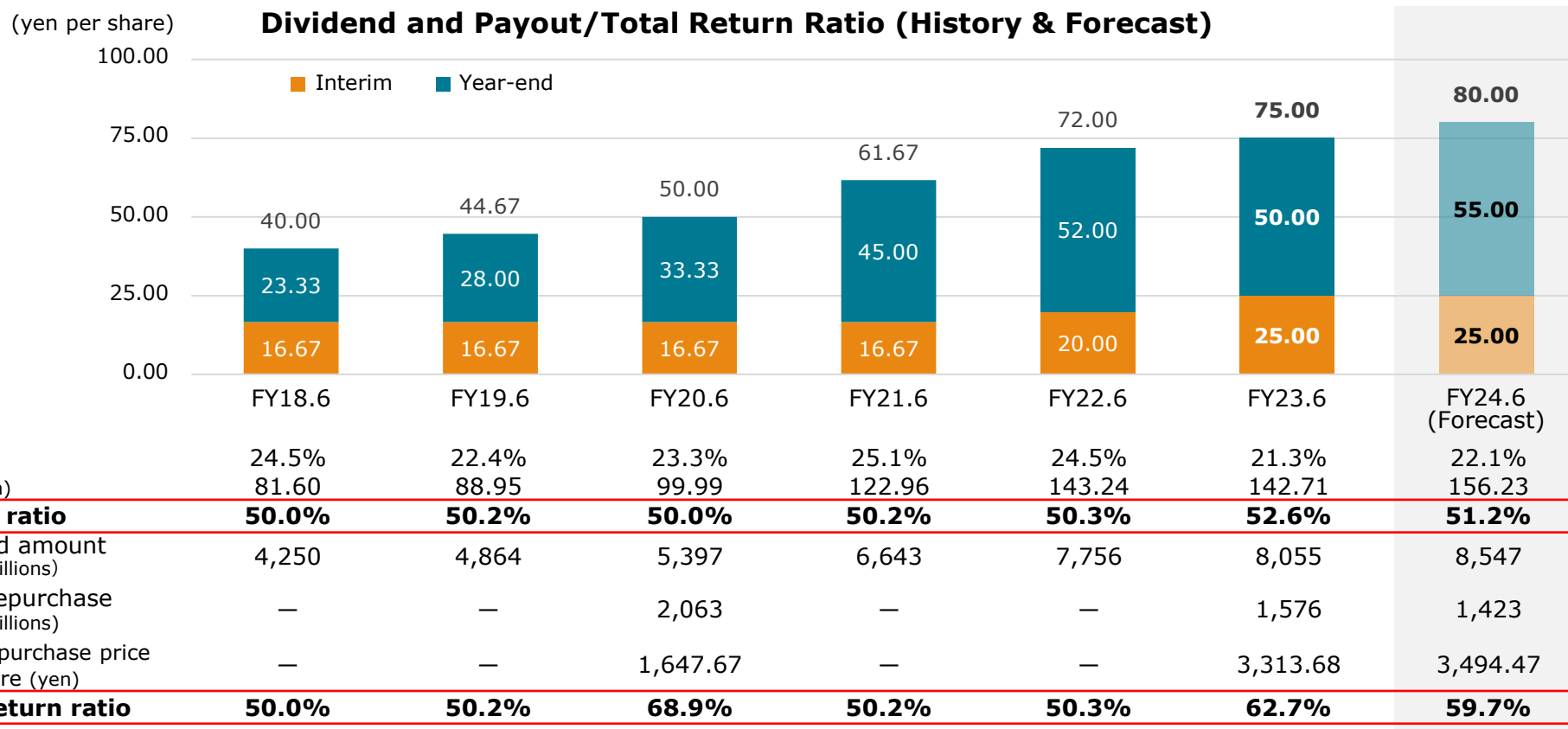
	Overseas				Reporting Segment Total				Corporate/Eliminations*				Consolidated Total			
	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY	FY22.6	FY23.6	FY24.6	YoY
Revenue	18,976	23,508	26,000	+10.6%	181,658	203,580	224,200	+10.1%	(2,902)	(3,728)	(4,200)	–	178,756	199,851	220,000	+10.1%
Ratio to consolidated revenue	10.6%	11.8%	11.8%		101.6%	101.9%	101.9%		(1.6%)	(1.9%)	(1.9%)		100.0%	100.0%	100.0%	
Operating profit	1,925	1,873	1,600	(14.6%)	19,239	21,658	24,300	+12.2%	1,401	179	200	–	20,641	21,838	24,500	+12.2%
OP margin	10.1%	8.0%	6.2%		10.6%	10.6%	10.8%		–	–	–		11.5%	10.9%	11.1%	
OP before PPA asset amortization	2,381	2,460	2,203	(10.5%)	20,170	22,317	24,976	+11.9%	(416)	124	200	–	19,754	22,441	25,176	+12.2%
OP margin before PPA asset amortization	12.6%	10.5%	8.5%		11.1%	11.0%	11.1%		–	–	–		11.1%	11.2%	11.4%	
No. of engineers (period-end)	2,851	2,997	–	–	24,899	27,122	–	–	–	–	–	–	24,899	27,122	–	–



\* Headquarter expenses attributable to reportable segments (expenses incurred by the holding company, etc.) are allocated to each reportable segment

# Shareholder Return

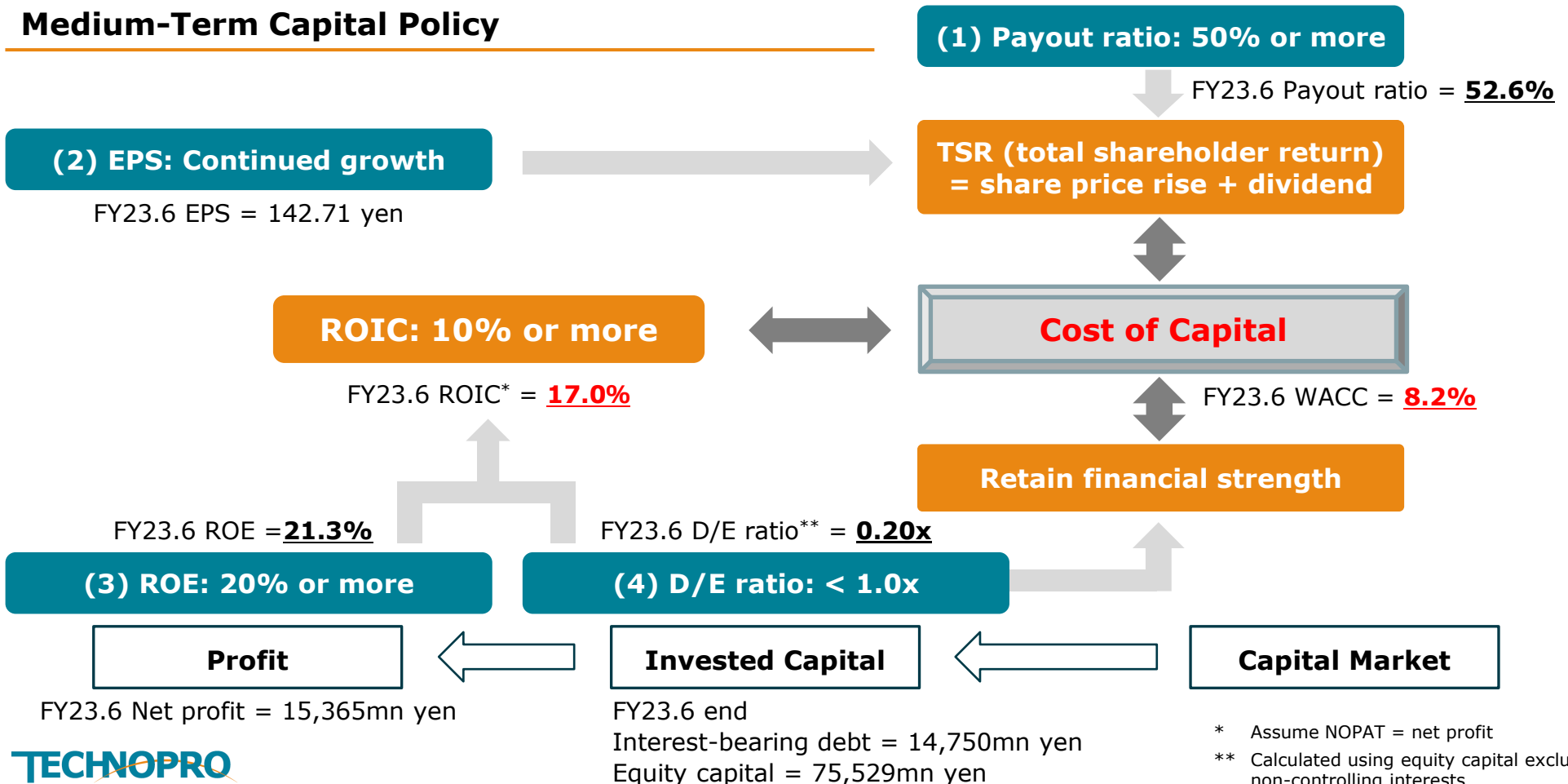
- Reaffirm basic policy to make dividend payment steadily twice a year in the form of interim and year-end ones pursuant to **annual dividend payout ratio of 50% or higher**; with considering a progressive annual dividend, provide the forecast of 80 yen per share (up 5 yen year-on-year, payout ratio 51.2%) as the annual dividend for FY24.6
- Repurchased the shares of 1.58 billion yen in Q4 FY23.6 and 1.42 billion yen in Q1 FY24.6 out of **3.0 billion yen buy-back program** (buy-back period: May 1 to September 29, 2023) launched in Q4 FY23.6, and concluded this program (average repurchase price per share: 3,397 yen, the number of acquired shares: 883,100 shares)



# Capital Policy

- Our four capital policies described below set **value creation (ROIC > cost of capital)** as a primary focus of business operation with maintaining solid financial foundation, as well as placing high importance on TSR
- Free cash flows retained after distributing 50% cash dividend to shareholders will be spent for growth investment such as M&As; in case of being unable to find justifiable investment opportunities which may generate sufficient return exceeding the cost of capital, flexibly considers carrying out share repurchase as a way of shareholder return in light of **capital efficiency**

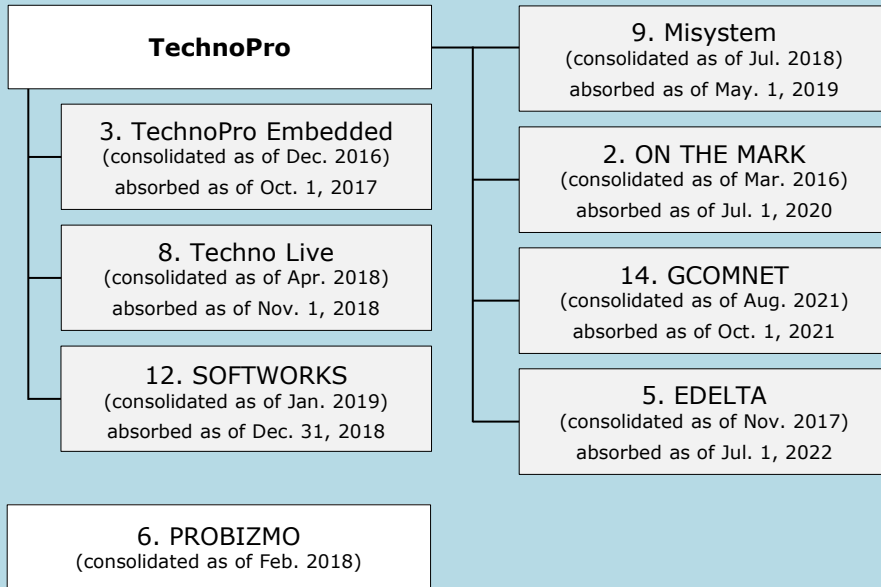
## Medium-Term Capital Policy



# Appendix: Reportable Segments [as of Q2 FY24.6 End]

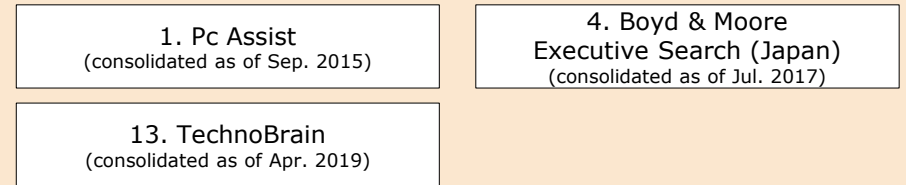
## R&D Outsourcing

Provides engineer staffing and contract services related to mechanical design, electrical/electronic design, embedded software development, IT network construction, business application development, IT maintenance and operations, bio research, etc.



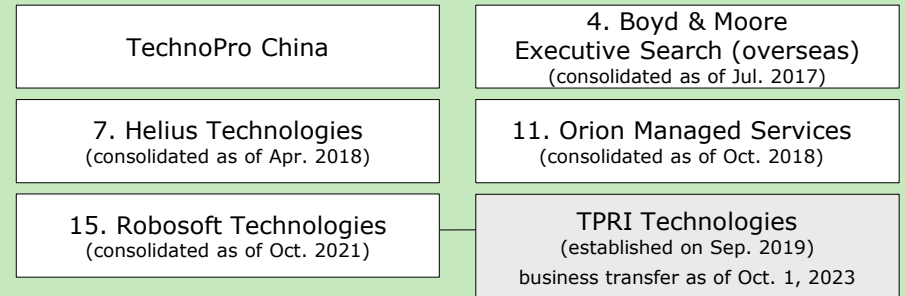
## Other Businesses in Japan

Provides professional recruitment, technical education and training services



## Overseas

Provides technological outsourcing and professional recruitment services in China; IT engineer staffing service and contract services in Southeast Asia and India (including offshore delivery to US/EMEA/JP customers); engineer staffing and professional recruitment services in the UK



## Construction Management Outsourcing

Provides engineer staffing and contract drafting of working drawings related to construction management (safety/quality/process/cost management) for construction, civil engineering, electrical equipment, plant engineering, etc.



## Headquarters

Provides shared services to group companies, hires and supports disabled people



# Appendix: Risk Assets [as of Q2 FY24.6 End]

- Major component of goodwill (**29.2 billion yen**) in R&D/Construction Management Outsourcing was derived from MBO transaction carried out by management and private equity fund; its fair value amount well exceeds carrying amount of each CGU even in the COVID-19 environment, consequently **impairment risks are extremely low**
- Goodwill in R&D Outsourcing (**4.0 billion yen**), which was newly recognized through M&As, is also included into the CGU at the time of MBO, consequently **impairment risks are extremely low**
- Helius: Put Option had not been exercised by 49% minority shareholder during the exercise period; continues joint holding
- Orion: Final Put Option was exercised by 16.8% minority shareholders in Q1 FY24.6; shareholding ratio increased to 100% with PO liability extinguished
- Robosoft: Acquired the remaining 20% shares in Q1 FY23.6; shareholding ratio increased to 100% with share acquisition liability extinguished

(yen in millions)

Cash Generating Unit (CGU)	Shareholding	Goodwill				PPA Assets		PO, etc. Liabilities	
		MBO	M&A*	Total	Ratio	M&A*	Amortization period	M&A	Value calc. period
<b>R&amp;D Outsourcing</b>									
Machinery, Electric/Electronic	100.0%	13,674	977	14,651	31.8%				
Embedded control, IT infrastructure	100.0%	7,969		7,969	17.3%				
Software dev./maintenance	100.0%	2,912	3,006	5,919	12.9%	464	-Jul.32		
Chemical, Biochemical	100.0%	1,262		1,262	2.7%				
<b>Construction Mgmt Outsourcing</b>									
Construction management	100.0%	3,383		3,383	7.3%				
TOQO	100.0%		190	190	0.4%				
<b>Other Businesses in Japan</b>									
Pc Assist	100.0%		96	96	0.2%				
Boyd & Moore Executive Search	100.0%		1,104	1,104	2.4%				
TechnoBrain	100.0%		151	151	0.3%				
<b>Overseas</b>									
Helius	51.0%		919	919	2.0%	381	-Mar.26		
Orion	100.0%		1,311	1,311	2.8%	223	-Sep.26		
Robosoft	100.0%		9,081	9,081	19.7%	2,679	-Sep.31		
<b>Total</b>		<b>29,202</b>	<b>16,839</b>	<b>46,042</b>	<b>100.0%</b>	<b>3,749</b>		<b>0</b>	

# Contents

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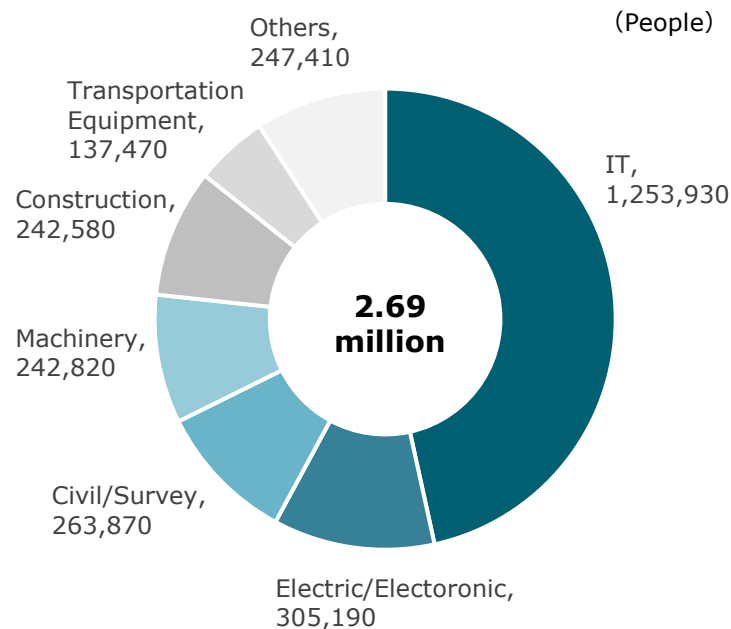
	Page
I : Q2 FY24.6 Financial Overviews	2
II : KPI Analysis [Japan]	8
i : Number of Engineers & Utilization Ratio	8
ii : Unit Sales Price	12
III : Overseas Subsidiaries Update	13
IV : FY24.6 Guidance	15
V : Shareholder Return	17
VI : Appendix	19
VII : Data References	22

# Distribution of Engineers in Japan

- According to the national census in 2020, the number of engineers in Japan is 2.69 million (of which, about 47% of them are IT engineers), and increased by 260 thousand in five years
- In terms of IT engineers, the outsourcing ratio is relatively high in Japan

## 1. Number of Engineers in Japan (2020)

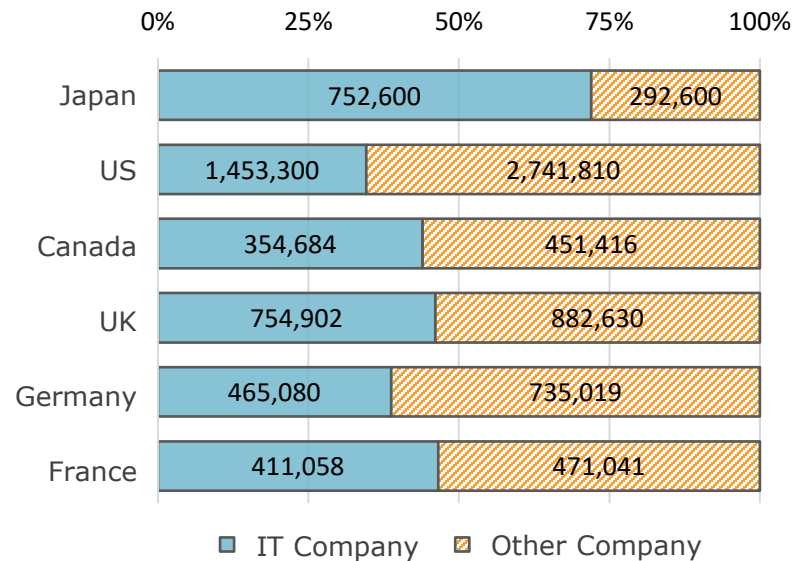
Source: 2020 Population Census



## 2. Ratio of IT Talents at IT and Other Companies

Source: Information-technology Promotion Agency Japan, "IT Talent White Paper 2017"

Japan, US, UK, Germany, France: 2015 Canada: 2014 (People)



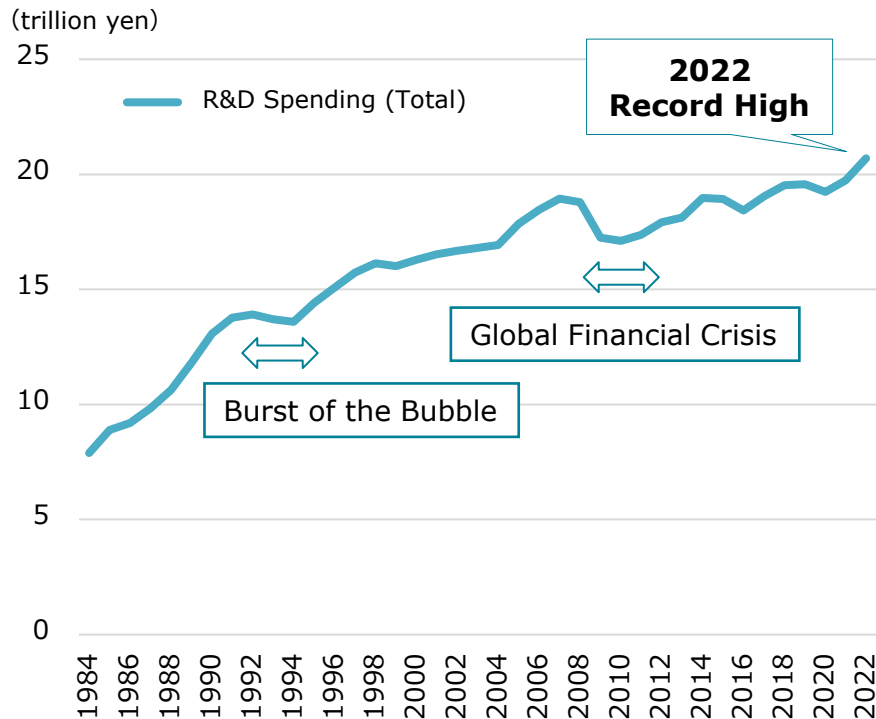
† "IT Company" means IT vendors and "Other Company" means IT user companies

# Trend of R&D Spending and ICT Investment

- R&D is a field less susceptible to impact of the economy; as a nation, Japan reported 20.7 trillion yen, a record-high for R&D spending in 2022, and its growth is expected to continue in the future
- Japan's ICT investment is gradually shifting from "hardware" to "software"

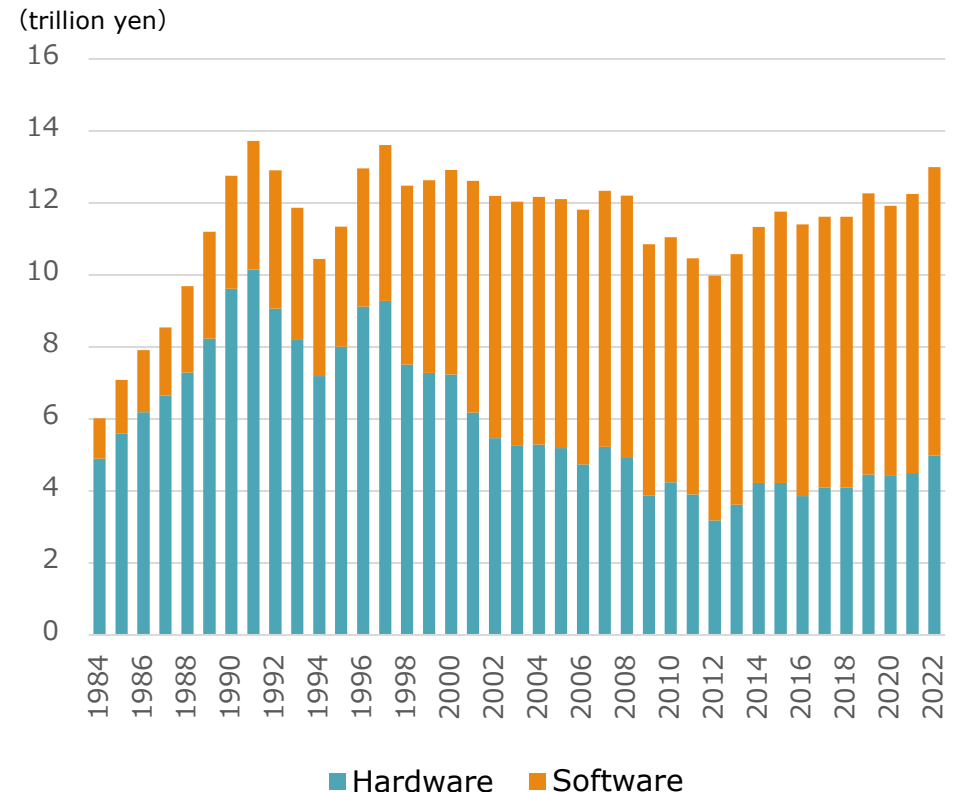
## 3. Trend of R&D Spending in Japan

Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Report on the survey of research and development"



## 4. The Breakdown of ICT Investment in Japan

Source: Cabinet Office, "National Accounts of Japan"



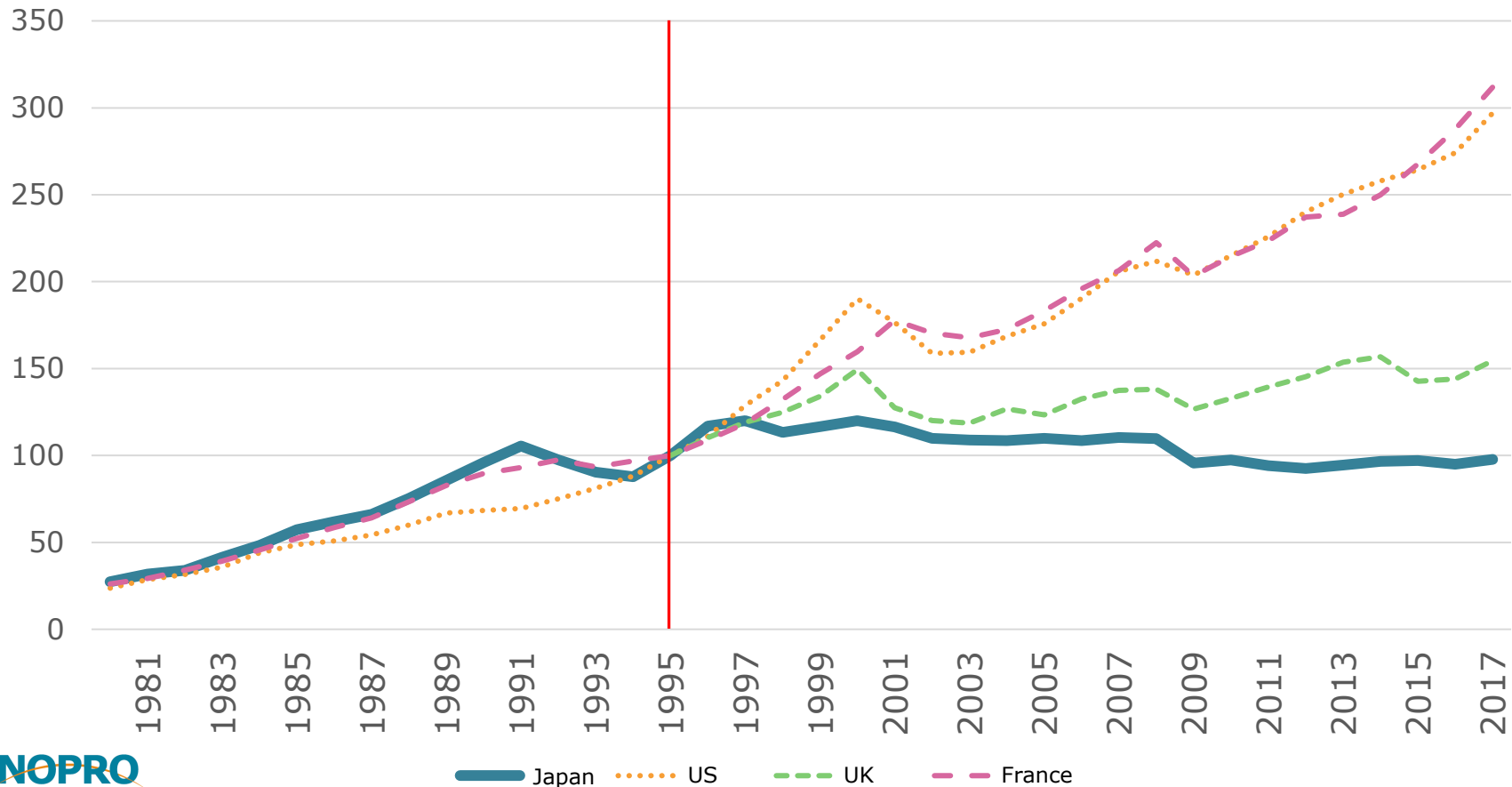


# Sluggish Digitalization in Japan

- Japan's ICT investment growth from 1995 remains significantly low compared to the US, UK and France
- COVID-19 has revealed Japan's lag in digitalization once again and will lead to increased ICT investment in Japan

## 5. Comparison of ICT Investment in Each Country (Nominal, Indexed Figures in 1995 as 100)

Source: Ministry of Internal Affairs and Communications, "2019 White Paper on Information and Communication"

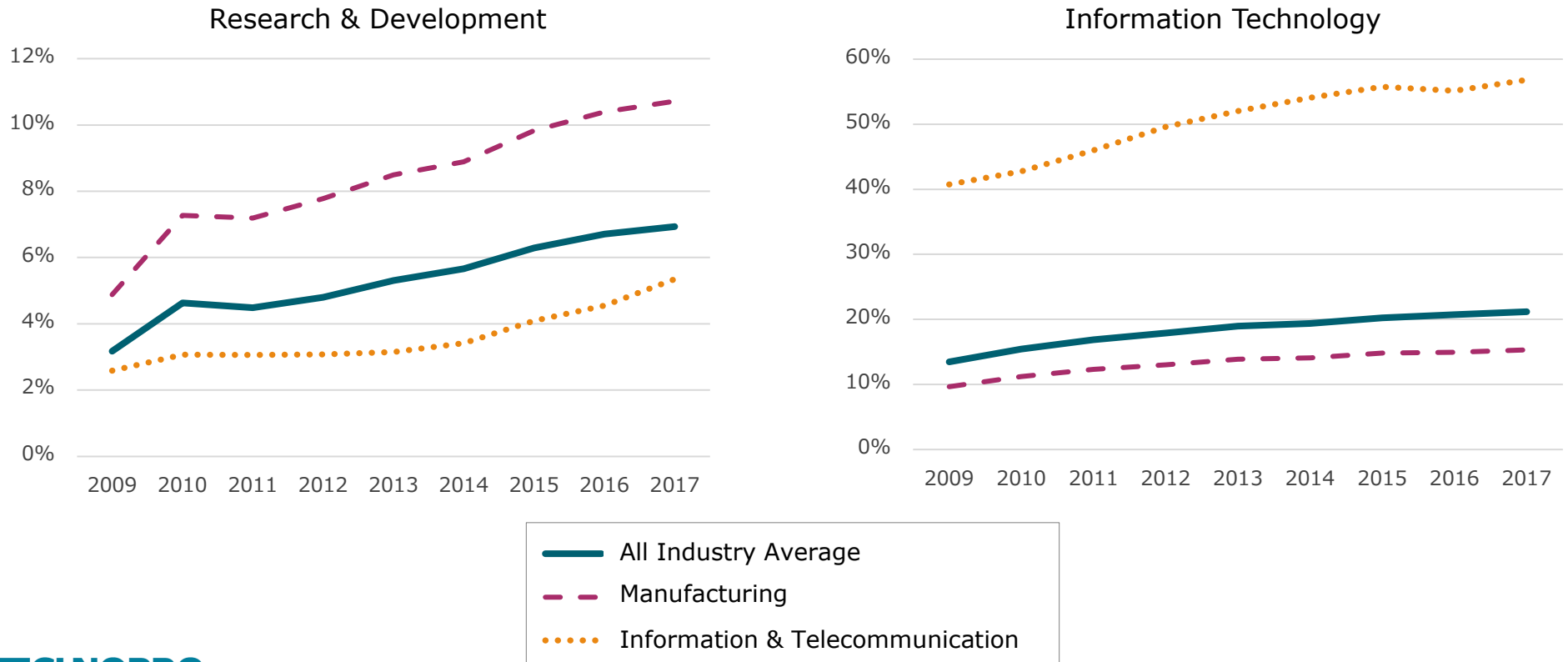


# Outsourcing Usage Ratio of R&D and IT Activity

- Outsourcing usage ratio of R&D and IT activity is gradually increasing overall
- Even Information & Telecommunication companies are using more outside resources in their own IT activity

## 6. Outsourcing Usage Ratio by Industry

Source: Ministry of Economy, Trade and Industry, "Basic Business Activity Survey",  
aggregation by Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro in 2020

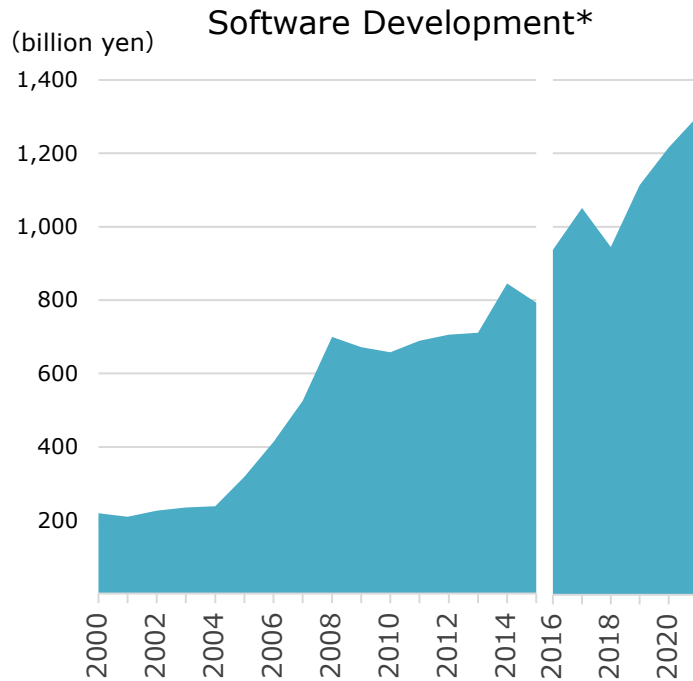


# Engineer Staffing Market Overview

- Estimated whole engineer staffing market size in Japan was about 2.4 trillion yen in 2021; up 4.7% year-on-year, of which software development market size was about 1.3 trillion yen; up 7.0% year-on-year
- Yano Research Institute forecasts that the engineer staffing market in Japan is expected to grow at a CAGR of 5.7% from FY2022 to FY2026 (forecast)

## 7. Engineer Staffing Market Size

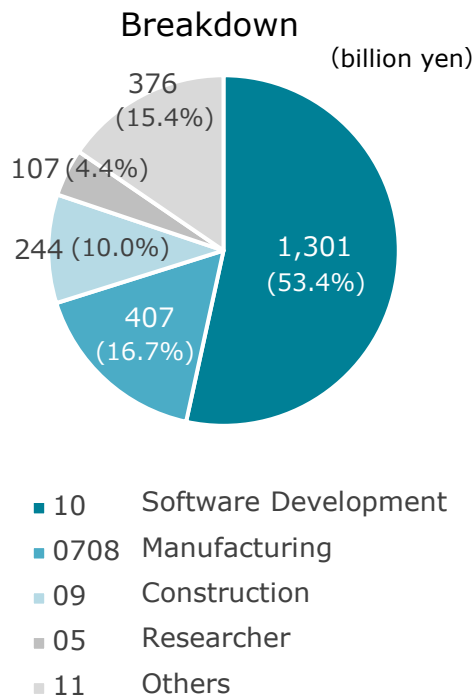
Source: TechnoPro estimates based on the data researched by Ministry of Health, Labor and Welfare



\* The aggregate standard has been changed as of 2015 due to revision of the classification of occupation on September 30, 2015

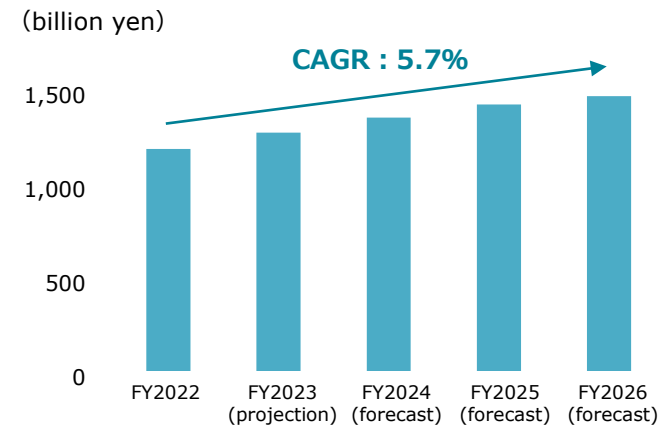


## Market Size 2.4 trillion yen (2021)



## 8. Forecast of Engineer Staffing Market Size

Source: Yano Research Institute Ltd., "Human Resources Business 2023, PART 2: Services by Industry/Job Category"



† The market size is based on the sales of businesses; The figure for FY2023 is a projection, for FY2024 and beyond are forecasts (as of October 2023)

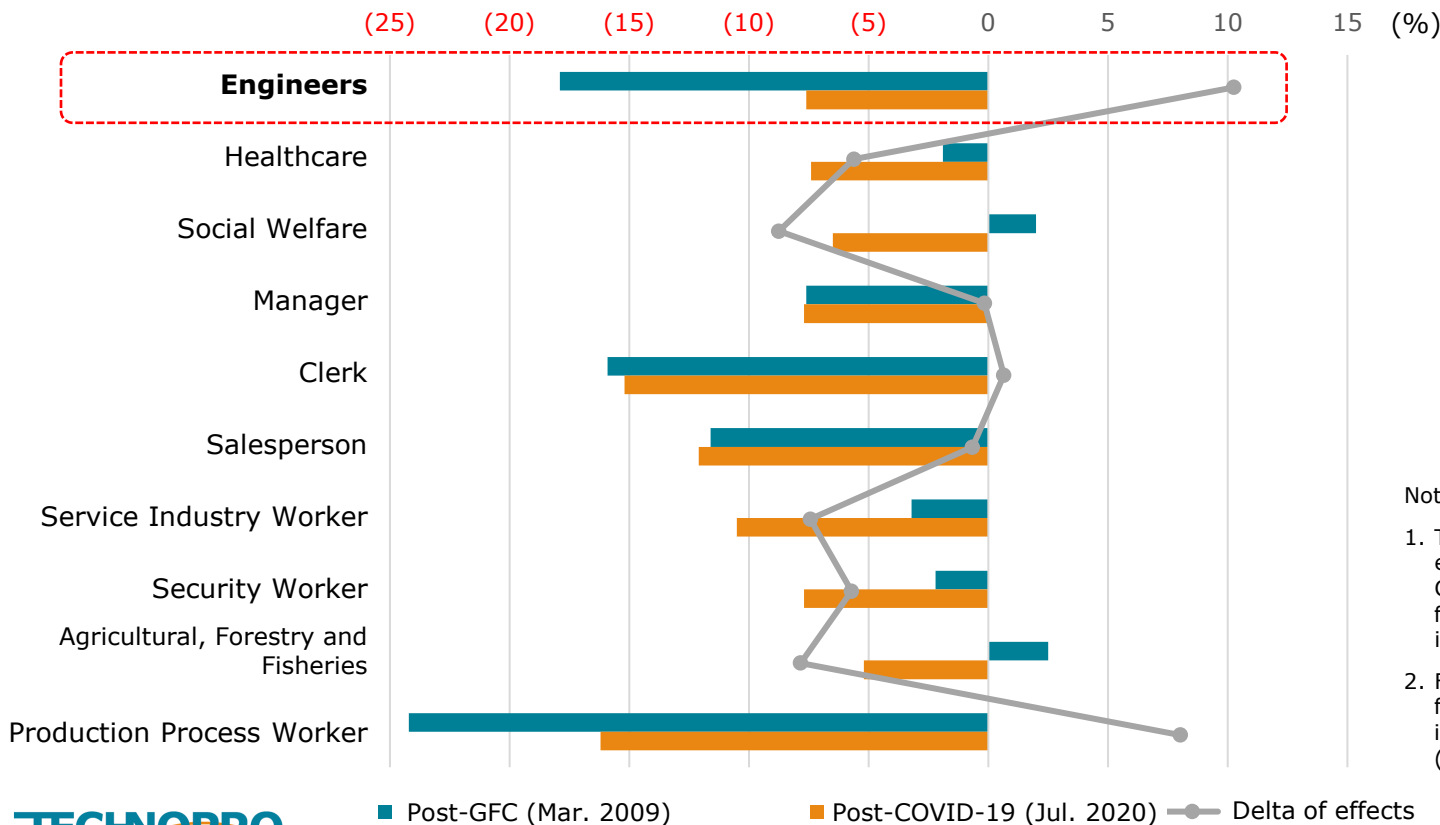
Note: Market size for large-scale providers calculated by Yano Research Institute based on an independent survey; Growth may be higher than the market as a whole

# Engineering Professional Services' Resilience to External Shocks

- First wave of COVID-19 spread impacted a lot less on new job offers for engineers compared to the Global Financial Crisis
- The fact above indicates the possibility that the importance of talents with technological expertise or the priority of R&D and IT system development to maintain competitiveness has been increased in the past 10 years, corroborating the robustness of our business

## 9. Ratio of Increase/Decrease and Delta of New Job Offers after 6 Months from External Shocks

Source: Ministry of Health, Labor and Welfare, Labor "EMPLOYMENT REFERRALS FOR GENERAL WORKERS," the Doshisha University Research Institute for STEM Human Resources, Commissioned by TechnoPro in 2020



Note:

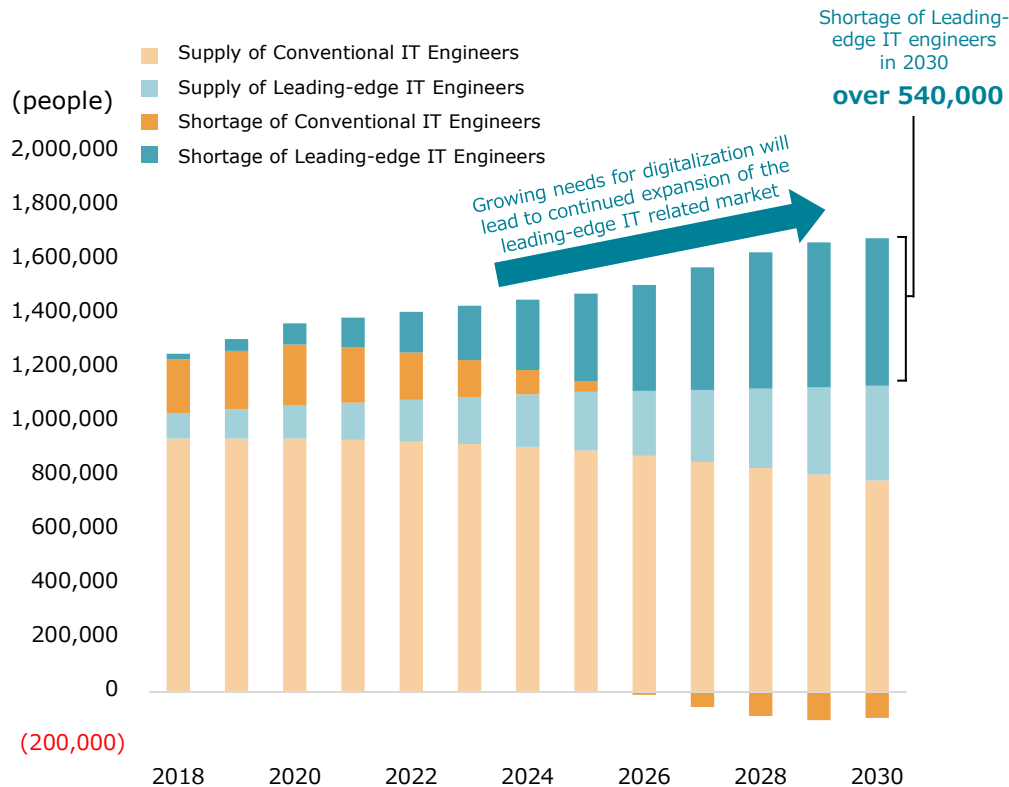
1. The figure left shows the comparison of the effect from the Global Financial Crisis (GFC) and COVID-19 on the index data of new job offers for each job category after 6 months from the initial outbreak of the crisis
2. Figures in September 2008 was indexed as 100 for the GFC, figures in January 2020 was indexed as 100 for the COVID-19 pandemic (seasonally adjusted)

# Background of Engineer Staffing Market Growth and Our Strengths – 1. Growing Demand

- Demand-supply gap in IT sector is huge; especially leading-edge IT engineers (AI, big data, IoT, etc.) will be in higher demand
- Weakening demand for engineers due to the spread of AI will be more than offset by the new demand for engineers

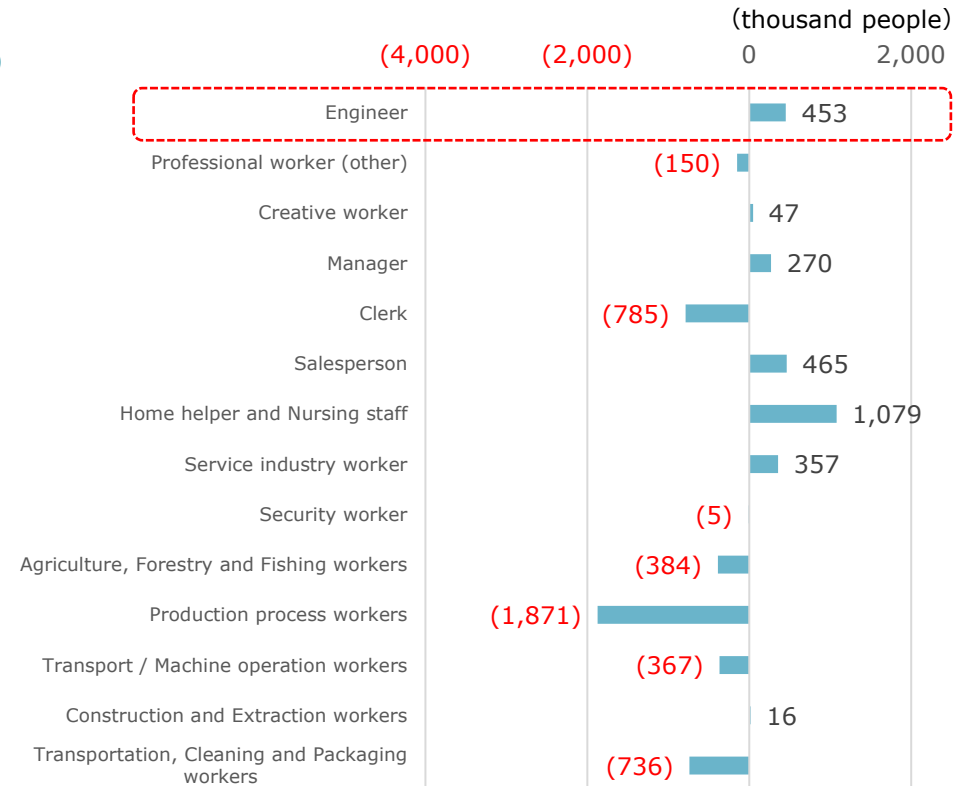
## 10. Projected Shortage in Advanced and Conventional IT engineers

Source: Ministry of Economy, Trade and Industry, "Survey report about supply and demand of IT talent (March 2019)"



## 11. Shift in Workforce due to Progression of AI

Source: Ministry of Health, Labor and Welfare, "Labor economy white paper in 2017; Analysis of Labor Economy - Issues for Promotion of Innovation and Work-Life Balance"



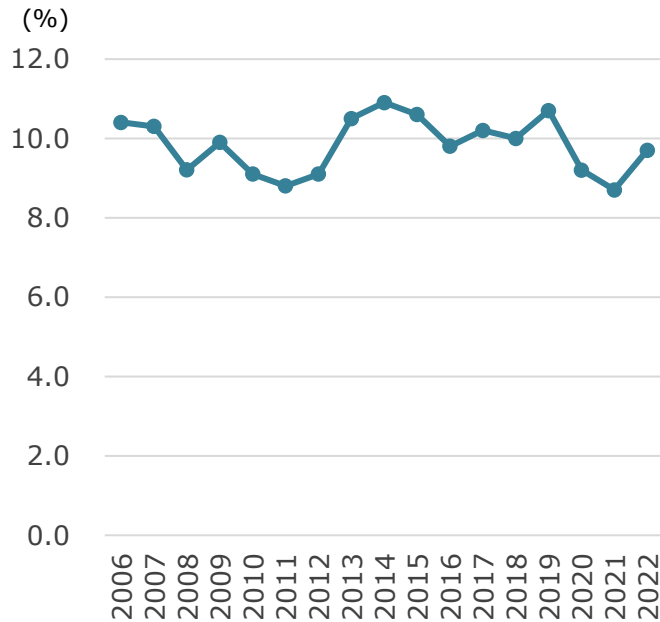
† Estimated numbers comparing 2015 and 2030

# Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market

- The turnover ratio in Japan remains around 10% which shows career-change market has a certain scale; more than 200,000 engineers per year
- Turnover ratio of IT engineers tends to be relatively higher than other type of engineers

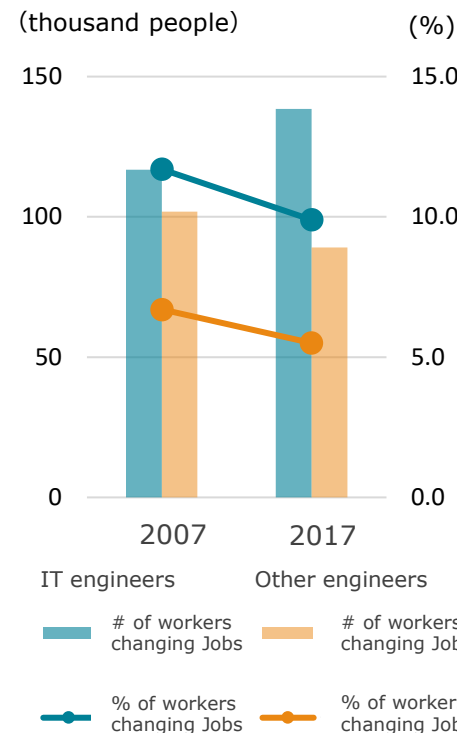
## 12. Turnover Ratio in Japan

Source: Ministry of Health, Labor and Welfare, "Survey on Employment Trends"



## 13. Turnover of Engineers

Source: Doshisha University Research Institute for STEM Human Resources, commissioned by TechnoPro in 2019, "Survey Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs"



	1997	2007	2017
All sectors	11.0	11.7	10.7
Engineers	7.5	8.7	7.5
of which, IT engineers		11.7	9.9
of which, other engineers		6.7	5.5

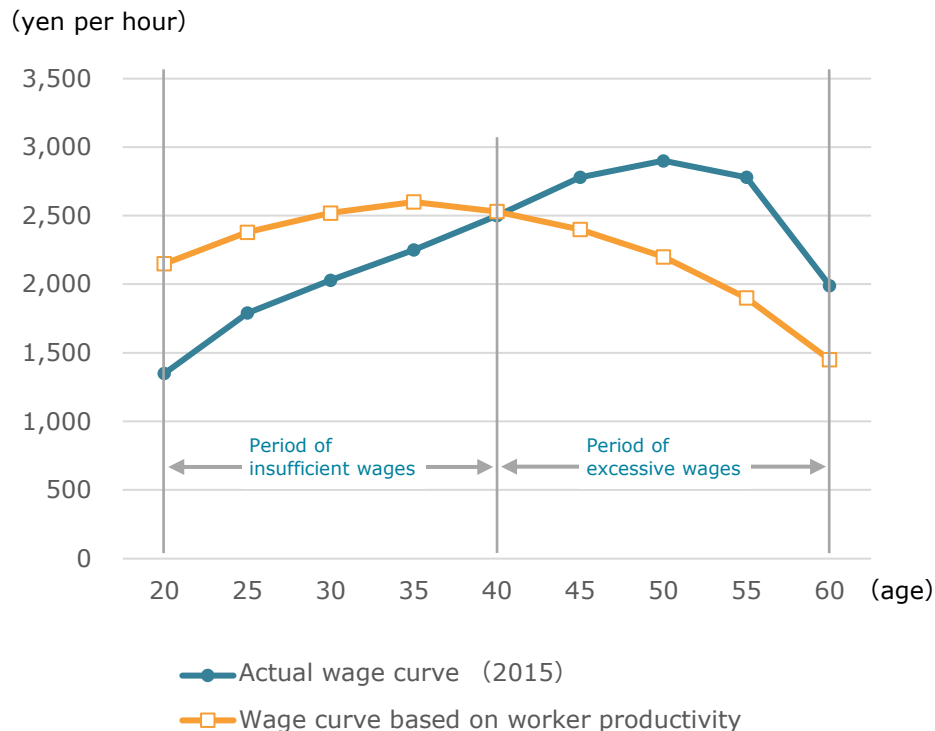
	1997	2007	2017
All sectors	7,391	7,717	7,066
Engineers	178	219	228
of which, IT engineers		117	138
of which, other engineers		102	89

# Background of Engineer Staffing Market Growth and Our Strengths – 2. Mid Careers Market (Cont.)

- The lifetime employment and seniority-based wage system have firmly remained in Japan
- The number of mid-career recruitment by blue-chip companies is limited due to the gap between productivity and salary

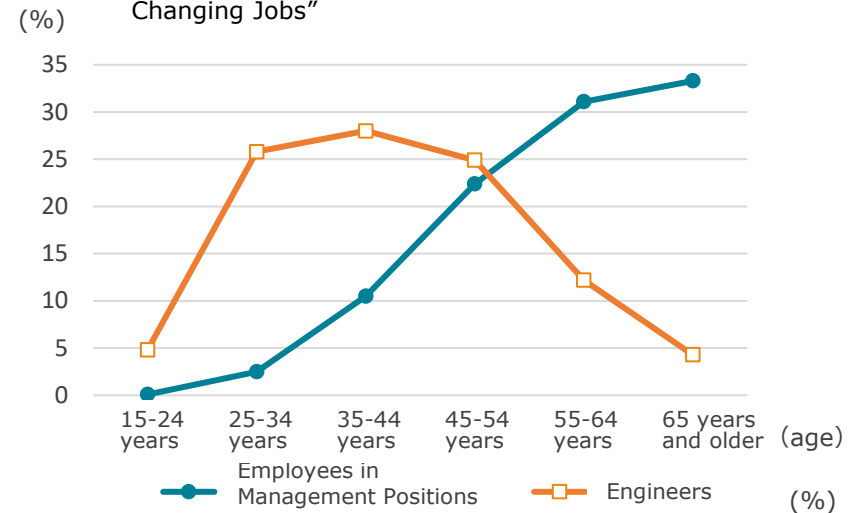
## 14. Seniority-Based Wages and Wages based on Work Productivity (Hourly-base)

Source: Investment Information Department, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., "Equity Research Reprinted Report, May 1, 2017"



## 15. Age Composition: Management and Technical Position (2017, Japan)

Source: Doshisha University Research Institute for STEM Human Survey Resources, commissioned by TechnoPro in 2019, "Report on Recent Characteristics in the Percentage of Japanese Engineers Changing Jobs"



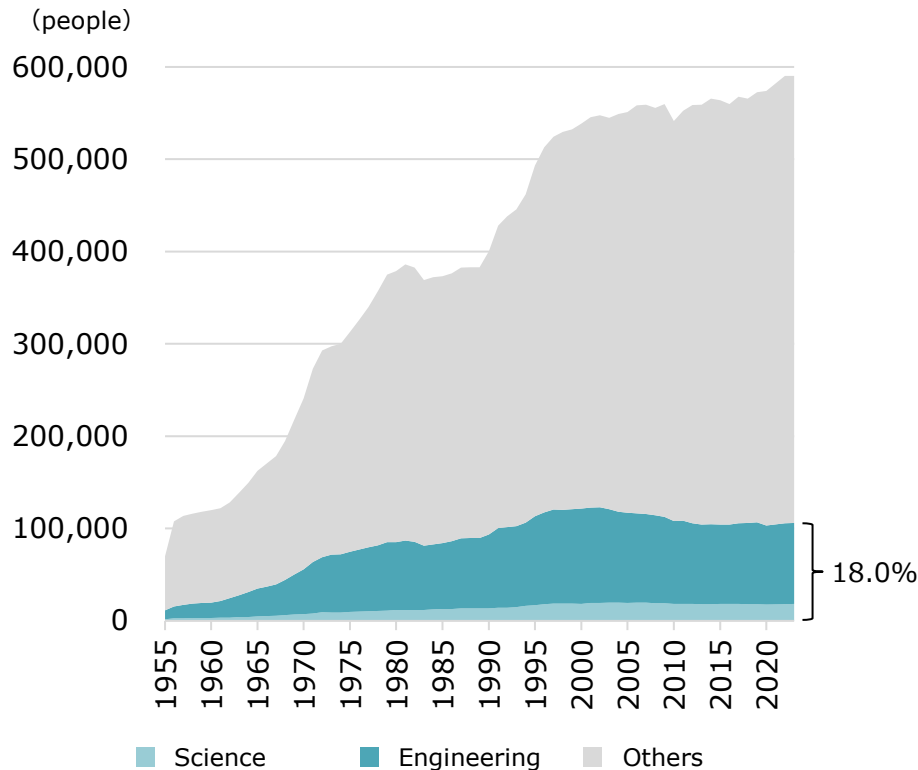
	Employees in Management Positions	Engineers
15-24 years	0.1	4.8
25-34 years	2.5	25.8
35-44 years	10.5	28
45-54 years	22.4	24.9
55-64 years	31.1	12.2
65 years and older	33.3	4.3

# Background of Engineer Staffing Market Growth and Our Strengths – 3. New Grads Market

- Even though the number of university graduates is slightly increasing because of higher university entrance rate, the number of science and engineering graduates begins to decrease from 2000
- New grads tend to prefer blue-chip companies while such companies have limited number of job openings for them

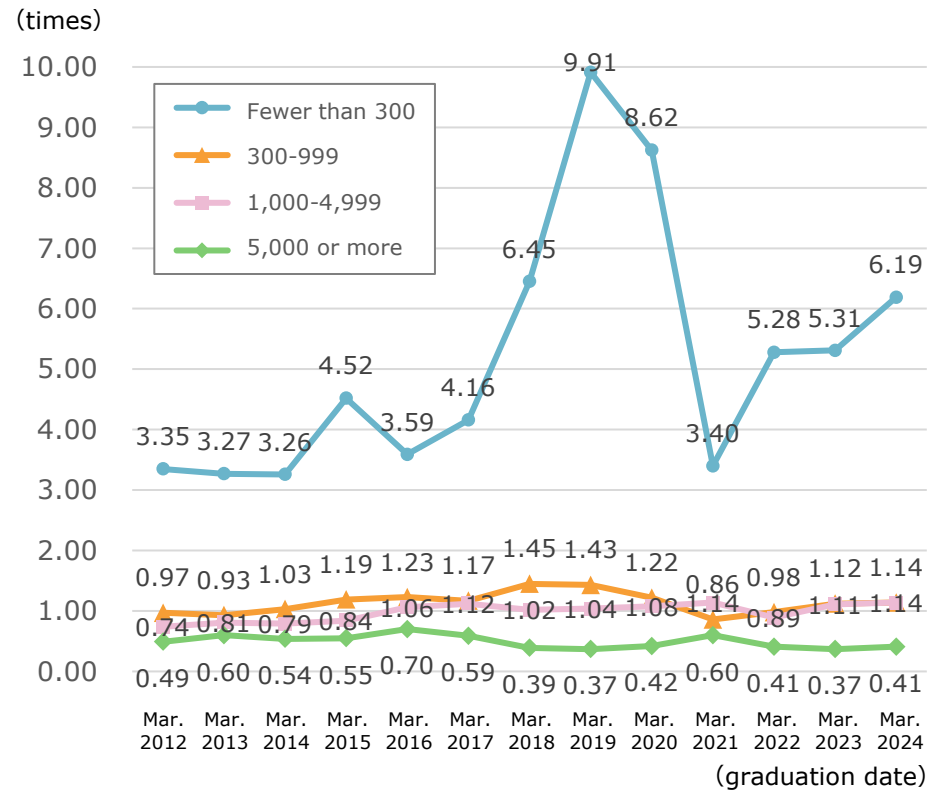
## 16. No. of University Graduates by Faculty

Source: TechnoPro based on "School Basic Survey" by Ministry of Education, Culture, Sports, Science and Technology



## 17. Job-to Applicants Ratio, by Scale Based on Number of Employees

Source: Recruit Works Institute, "40th College Graduates Job Opening Survey"



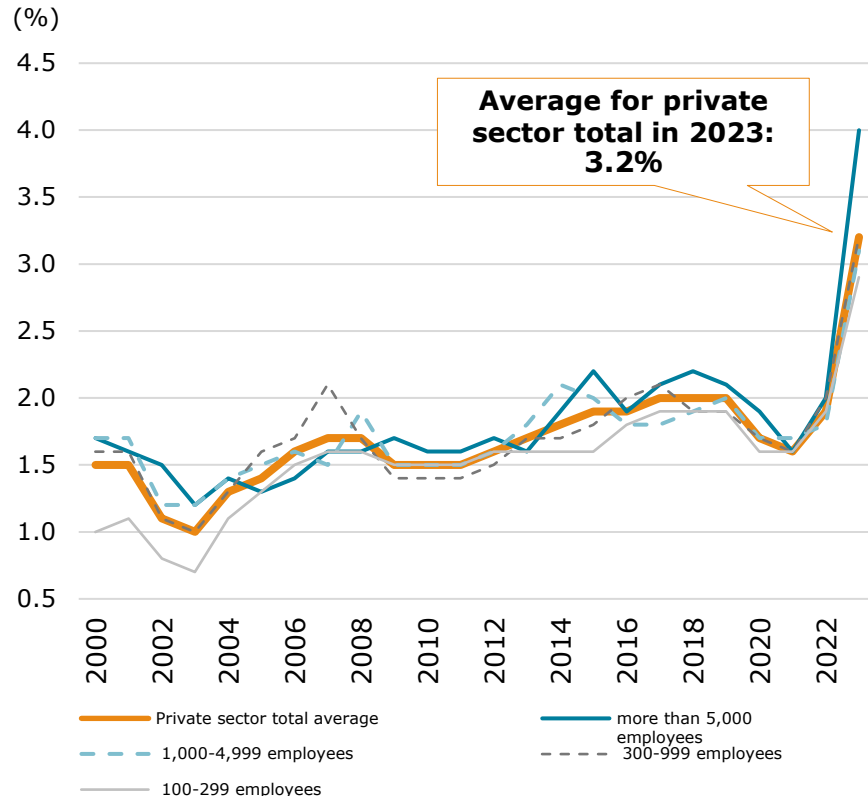


# Wage Hike & Human Capital Investment in Japan

- Average annual wage hike in the private sector in Japan was 3.2% in 2023, a significant increase from 1.9% in the previous year, driven by the recent wage hike momentum
- Japan's investment in human capital, both public and private, is significantly lower than other developed countries

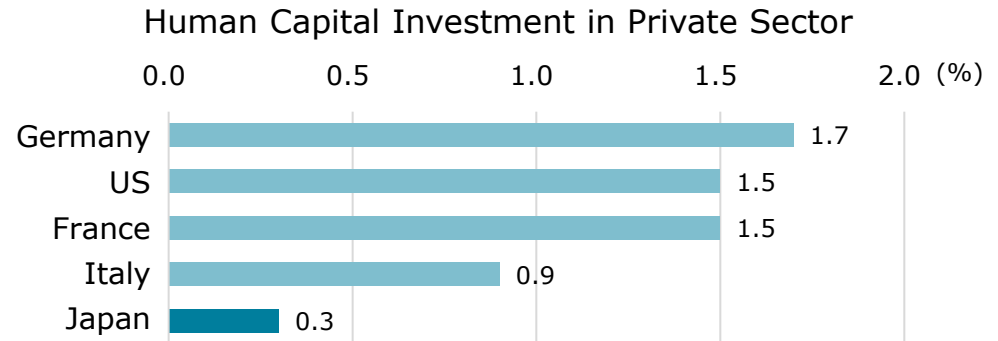
## 18. Wage Revision Ratio per Worker

Source: Ministry of Health, Labor and Welfare, "Survey on wage increase"



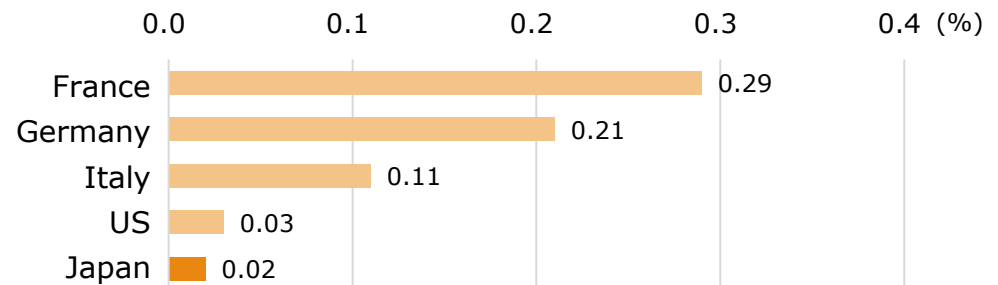
## 19. World's Human Capital Investment (GDP ratio)

Source: Mizuho Research & Technologies, Ltd., "New Form of Capitalism and Human Capital Investment"



† Figures indicate averages for 2010-2018 (2010-2017 only for US), using investment amounts excluding OJT

## Training & Education Investment in Public Sector



† Figures indicate averages for 2010-2019

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